FINANCIAL TIMES

Ryzhkov flies Flat in talks to Uzbekistan on joint as death toll venture with fears mount

Nikolzi Ryzhkov, Soviet Prime Minister, flew to the Fergana region of Uzbekistan with reports suggesting a spread in ethnic violence in which at least 100 people are feared killed. Page 2

Boeings grounded The UK Civil Aviation Authority ordered the immediate grounding pending safety checks of all 12 Boeing 737-400 aircraft flown by British carriers following two recent engine

Namibians return More than 200 Namibian refugees returned to their home-land in the first airlift of thousands of exiles returning for independence elections in the South African-ruled territory.

Exports inquiry West German criminal investigators searched the home of a former federal official in con-nection with alleged illegal export of components for a bal-listic missile system in Iraq.

Page 4

Sudan talks fail Peace talks to end Sudan's sixyear-old civil war ended without agreement but the Sudan Peoples' Liberation Army and would meet again next month.

Sanctions rejected The European Community turned down a request from the black African frontline states to impose new economic sanctions on South Africa.

Lonrho cleared Lonrho, international conglomerate has been cleared of contempt of the House of Lords.

Rafsanjani voted in The Iranian Parliament voted 230 to 1 to re-elect Ali Akbar Hashemi Rafsanjani as its speaker. Iran's main opposition group said Ahmad Khomeini radical son of the Ayatollah Khomeini, may contest August's Presidential election.

Bomb kills 7

A bomb ripped through the waiting hall of New Delhi railway station killing seven people and injuring about 50. Police blamed militant Sikh separatists for the blast.

Refugees walk out About 200 Vietnamese boat people stormed out of a Hong Kong refogee camp, claiming that they had been persecuted by north Vietnamese refugees. Indo-China exodus, Page 4; Refugees, Page 22

Poisoning outbreak Britain's food industry and Government were faced with hygiene after an outbreak of botulism poisoning in Lancashire, north-west England.

Belgian miners clash More than 30 people were injured when about 1,000 miners protesting against the clo-sure of Belgium's last two coal mines clashed with police in the town of Hasselt.

Civil rights rulings The US supreme court ruled that white firefighters in Alabama could challenge an affir-mative action plan, and that

any suits alleging civil rights

violations must be brought

when the policy begins, not

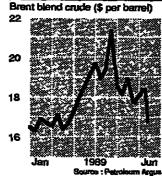
when the plaintiff is affected.

Soviet Union

FIAT, Italian automotive group, is negotiating a joint venture with the Soviet Union to produce up to 300,000 small cars a year. It hopes to reach agreement with Moscow by the end of the year. Page 24

OIL PRICES fell to a fourmonth low as traders pondered uncertainty about production quotas among the Organisation

Oil price



STATOIL, Norwegian state oil company, has agreed to sell 9.6 per cent of the Snorre oil and gas field in the North Sea to Idemitsu Kosan of Japan. The stake is worth up to NKr1.5bn (\$207m). Page 27

WESTLAND of the UK and McDonnell Douglas Helicopter of the US, big helicopter manufacturers, have joined forces to bid for an order worth about £1bn (\$1.52bn) for light attack and anti-tank helicopters for the British army. Page 8

of the world's largest advertis-ing and consultancy groups, is reviewing the future of its management consultancy arm, including the option of selling the business. Page 25

a long-term co-operation agree-ment with Aerospatiale, French state-owned group, in an apparent effort to strengthen its access to the European market before 1992.

MATRA, France's largest pri-vately owned defence and electronics group, announced a deal to market European missiles in the United States

SOUTH KOREA has started contingency planning to deal with the possible closure of Daewoo Shipbuilding and Heavy Machinery, subsidiary of Daewoo, one of the country's largest companies. Page 4

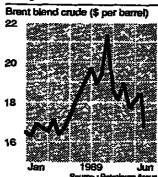
SUMITOMO CHEMICAL, big Japanese company, is seeking joint-venture partners in Western Europe to help market its crop-protection compounds.

say they might strike if NWA. a takeover offer unacceptable to them, particularly one financed by "excessive debt."

CONTROL DATA, struggling US computer hardware and service group, has sold its Imprimis Technology disk drive business for \$450m to its Californian competitor, Seagate Technology. Page 27

AKER, Norwegian offshore and construction concern. reported pre-tax profit after financial items of NKr55m (\$7.6m) for the first four months of 1989, compared with a NKr38m loss in the same

FRANCE has voted for new legislation to prevent compa-nies from defending themselves against takeover through crossed shareholdings between parent and affiliate



of Petroleum Exporting Countries. Brent Blend, the North Sea marker crude, was being traded on the European spot market at \$16.80 1/2. Page 36

SAATCHI & SAATCHI, one

LOCKHEED of the US signed

through McDonnell-Douglas, US aviation giant.

NORTHWEST AIRLINES pilots the US carrier's parent, accepts

period of 1988. Page 27

companies. Page 27

Business Summary Brazil stock exchanges closed as speculator fails to settle debt

By John Barham in Sao Paulo

BRAZIL'S stock exchanges, which have a market capitalisation of nearly \$60bn, were closed yesterday after one of the country's leading speculators failed on Friday to make an \$8m payment in settlement for stock purchases.

The one-day closure of the Brazilian markets, which may be extended, is a blow to foreign investors who have about \$200m invested there through special Brazil funds. "Emerging" stock markets in

"Emerging" stock markets in Third World countries have become a fashionable – and kers believe he faces a loss of Incrative – investment in the at least \$160m and some doubt

past few years, with Brazil his ability to pay showing the strongest performance in 1988 when its two throughout the materials. markets soared by 131 per cent in dollar terms. The troubled speculator, Mr

Naji Robert Nahas, is thought by some in the Brazilian market to have been responsible for about half the turnover of the country's stock and futures markets in recent days.

He was hit by the rising cost of financing his stock and futures position, estimated at between \$560m and \$640m. Bro-

His problems sowed panic throughout the market, giving rise to rumours that his difficulties could lead to problems

for a number of prominent Sao

Paulo and Rio de Janeiro brokerage firms. On Friday, about \$3bn was wiped off Brazil's two main stock markets - about 5 per

cent of their value - when the Sao Paulo stock exchange's Ibovespa composite index fell Rio de Janeiro, the IBV index lost 4.5 per cent to 376,530. It had emerged on Friday

that Mr Nahas had bought stock worth \$31m through yarious brokerages. But a cheque for \$8.8m in local currency issued to a brokerage house

was returned unpaid.

However, a Rio stock exchange official said the exchange had honoured the transaction despite the lack of Behind Mr Nahas's problems

were a campaign by the Sao Paulo exchange to discourage speculation and a rise in central bank interest rates, which was aimed at cooling financial rise in inflation. The country's inflation rate is expected to hit a record 1.000 per cent this Mr Nahas, born in Egypt of

Lebanese parents and a naturalised Brazilian, is one of Brazil's largest investors. He captivated the market with elaborate strategies involving speculative instruments new to the country's stock, options and futures mar-

Mr Nahas is believed to have won financing from at least one major international bank and from one of Brazil's most powerful businessmen as well as galaxy of brokerage firms for his latest venture. Few traders were crowing

over Mr Nahas's defeat yesterday. Not only does he owe a lot of people a lot of money, but the fallout from the affair has thrown a pall over the entire market, which is already tainted with accusations of

unbridled speculation.
The Government has repeated that it will not provide any assistance for traders, who spent all day yesterda; fielding calls from fearful cli-

Lawson suggests UK could take full EMS role next year

By Simon Holberton and Philip Stephens in London

MR NIGEL LAWSON, Britain's Chancellor of the Exchequer, yesterday said that the country should consider committing itself to full participation of the European Monetary System

after July 1990.
Mr Lawson, who did not rule out taking sterling into the EMS's exchange rate mechanism before that date, told a parliamentary committee that by then both France and Italy would have lifted all remaining exchange controls.

The Chancellor said he did

not believe now was the time to join, because Britain's inflation rate was too high, but nev-ertheless listed in detail the potential benefits of eventual membership. Speaking earlier during the

European election campaign, Mr Lawson had sought to Mr Lawson had sought to shrug off suggestions that he was locked in a struggle over economic strategy – including Britain's entry into the EMS – with Mrs Margaret Thatcher, the Prime Minister.

By Janet Bush in New York

A POWERFUL dollar rally yesterday was fuelled by con-tinued demand from overseas investors for US bonds and by

comments from several central bank officials saying that inter-vention against the US cur-rency was useless in current

The US currency had surged

in the Far East overnight, tak-

ing the Japanese yen to a 22-month low of 149.45 to the dol-

tion by the Bank of Japan. The dollar's surge also con-

tributed to a sharp fall in ster-ling which traded almost three

market conditions.

Mr Lawson said: "On basic economic policy there is absolutely no difference between the Prime Minister and myself". Both were agreed that the key priority was to bring down the inflation rate.

He indicated, however, that he would assert forcefully his own the included the common relationship.

own role in key economic policy issues, and added pointedly that an eventual decision to join would be for the Govern-ment as a whole to take. Sidestepping questions on his own political future, he said the Government would have to weigh both the political and economic implications of such

Mrs Thatcher's public posi-tion on the EMS is that Britain will join "when the time is right", but she is known to be extremely sceptical that full membership would be possible before the general election due by 1992. Both the Chancellor and Sir Geoffrey Howe, the Foreign Secretary, believe a

Bonds demand fuels the dollar

pean trading.

There was concern about apparent divisions between Mr Nigel Lawson, the UK Chancellor, and his Prime Minister on

lending rates.

The dollar dipped from its

earlier highs in New York, partly on persistent but uncon-firmed reports of intervention by the US Federal Reserve and the central bank of Canada,

but remained higher than its pre-weekend levels.

At the close in New York, it

lor, and his Prime Minister on economic policy. There was also some speculation of another rise in British base exchange dealers that the dol-

necessary.
Mr Lawson confronted directly attacks on the EMS made by Mrs Thatcher's personal economic adviser, Sir Alan Walters.

The exchange rate mechanism had helped deliver low inflation and exchange rate stability to its participants, he said. These would accrue to Britain if it joined, as full membership would help to underpin monetary discipline

in the economy.
"I believe the EMS has pro-vided considerable discipline" to member governments' eco-nomic policies, he said, pointing to the sharp falls in their respective inflation rates since 1983 and their ability to cut interest rates once inflation was on a downward path. The Chancellor also indi-

cated that Britain would have less influence within the Community's deliberations over the Delors report, on European economic and monetary union, if it remained outside the EMS

DM2.0200 compared with an

Demand for dollars has been extremely strong since last Fri-

lar would continue to be sup-

US Treasury bonds were

quoted a full point higher in Far East markets overnight as investors continued to pour

money into the market Continued on Page 24

ported by high US interest

or failed to indicate that "we were going in in a reasonable period of time". In a direct rebuttal of argu-

ments put by Sir Alan, Mr Lawson also noted that membership of the EMS did not require all participants to have the same interest rates, althoughover time, once infla-tion had been brought under control, interest rates could

converge.
Mr Lawson underlined the Government's opposition to economic and monetary union as outlined by the Delors com-

He said that the Government would not agree to amending the Treaty of Rome to give Delors plan. Treaty changes would be necessary for stages two and three of the Delor blueprint for union which envisage a progressive move towards fixed exchange rates control over national budgets a common European currency and a European central bank.

against the D-Mark (DM per \$)

2.1 2.0 1.9 1.8

1.5 1.6 1.7 1.8

400 380 360

against Starling (\$ per ξ)

\$ per troy ounce in London

Gold

HK assurances By Robin Pauley, Asia Editor, in London

Governor seeks

HONG KONG'S Governor, Sir David Wilson, yesterday made his strongest public plea so far for the UK Government to grant right of entry to the 3.25m Hong Kong people entitled to British passports. But he admitted that Mrs Margaret Thatcher, the Prime Minister, had already ruled this out. Sir David also told a committee of Britain's House of Com-

mons that if the worst came to worst in Hong Kong then Britain would have a "very strong moral responsibility" to the 5.5m inhabitants. The colony is due to be transferred to Chieses courselves.

Chinese sovereignty in 1997.

I have no doubt that if it was possible to give a right of entry to all who held British passports that would have a most immense beneficial effect in Hong Kong and that it would not lead to the arrival in Britain of anything like 3.25m people. What people are looking for is assurance that if something went badly wrong they would have a place to go. It is not that they want to go

Recent events in Peking were watched with "total hor-tor" in Hong Kong, "We are still living in the aftermath of those appalling events and the inevitable effect it has had on Hong Kong. It has made people question arrangements about

the future."

He said that although Britain had a special responsibility because the problem con-cerned people holding UK passports it was a problem that could be shared internationally, particularly with Europe. He implied that suggestions

of more flexibility in Britain's very tight immigration rules and talk about which categories might be viewed favourably was not a fair or satisfactory approach.

He was more diffident on increased calls for democracy. Although there was increased pressure in Hong Kong for a speed up of political develop-ment and the pace of introduction of democracy he coun

Pursuit of China's activists continues

By Robert Thomson in Peking

Party's pursuit of democracy activists broadened yesterday while the country's most prominent pro-democracy spokes-man, Fang Lizhi, the astrophys-icist, remained in the US embassy in Peking despite strong Chinese criticism of the

US Government. Chinese police and military officials released a list of prodemocracy organisations said to be illegal and warned that their members would be

THE CHINESE Communist severely punished if they did not give themselves up. Meanwhile, dozens more arrested youths were shown on Chinese television last night. A senior conservative com

> "make further efforts" in "sup-pressing rebellion." China and the US continued their stand-off over the refuge given to Professor Fang, 53. and his wife. Professor Li Continued on Page 24

> nist, Song Rengiong, 85, yester-day urged security forces to

Currencies, Page 44; BIS talks, was quoted at Y148.60 and Page 24 cents weaker in hectic Euro-Gorbachev seeks speedy pact on reducing conventional arms

By David Marsh in Bonn

PRESIDENT Mikhail Gorbachev, the Soviet leader, last night welcomed the disarmament initiative unveiled two weeks ago by President George Bush and voiced hopes for a speedy agreement on reducing troops and conventional arse-

nals in Europe. But Mr Gorbachev threatened to highlight differences within Nato by calling firmly for elimination of all nuclear weapons from Europe. He said this was necessary for a "European peace order." The US, Britain and France argue that such a move would greatly undermine Western defences against the Red Army.

The goal of eventually scrap-ping European nuclear weapons is part of stated Soviet pol-icy. But Mr Gorbachev's firm reiteration of the objective on the first day of his state visit to the West Germany may be interpreted as an attempt to drive a wedge through Nato. Mr Gorbachev, underlining that his reforms in the Soviet

world democratisation," made his two-pronged statement on arms control at a dinner given by Chancellor Helmut Kohl. The Soviet leader also made a powerful plea for improving international co-operation on environmental problems. After a first day of talks, which both sides described as warm and friendly, the two will sign about a dozen agreements.

Mr Gorbachev said Moscow was "extending and deepening" its relationship with West Germany, but underlined that he did not want the Federal public to loosen its Western links. Mr Kohl, in his dinner speech, affirmed that the Federal Republic's Nato and European Community ties were not "for disposition." But he said Bonn wanted to extend "the dialogue of trust" with Moscow and build on German-Russian relations going back centuries. Mr Gorbachev said President Bush's proposal to speed up Vienna talks on conventional disarmament showed the

West's willingness to accept

Soviet ideas on reducing mili-tary concentration in Europe. Although the US proposals were not completely free of "aims and methods inherited from the period of confronta-tion," the Soviet leader welcomed Nato moves to cut its own forces and not simply ask for Warsaw Pact reductions. The Soviet leader entered the simmering dispute between West Germany and Nato's nuclear weapons states by affirming, "the question of the

be wiped from the agenda. We are convinced there is no reason to postpone negotiations over tactical nuclear weapons." The West German Govern ment called in April for early talks on reducing short-range nuclear arsenals. It accepted the Nato compromise last month under which short-range negotiations would start only once a Vienna conventional arms accord was on the way to being implemented. Bonn under-excited, Page 2

complete elimination of tacti-

cal nuclear systems must not

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CONTENTS

Indonesia donors come to talk aid but seek trade



With the country's economy picking up and President Suharpressure to create local employment,

to's Government under

Editorial comments Gorbachev in Germany The brain drain in perspective ... Foreign affairs: Too close for comfort Lex: Markets; Unigate; Emerging markets;

Perus Facelift for the lady of the lake ...

Angola: War-ravaged economy forces pace of

Technology: Confining failures to the com-

Britain: Interest rates take time to bite invest

Saatchi ... -London Unit Trusts

MARKETS: STERLING Johannesburg New York close \$1,5285 (1,5470) ISE Gold Index London: \$1,5255 (1.5650) 1600 DM3.0900 (3.1125) FFr10.4650 (10.5500) 1500 Y227.00 (same) DOLLAR

1300 1989 Jun Apr FFr6.8460 (6.8150) SFr1.7465 (1.748) INTEREST RATES Y148.60 (146.65) Federal Funds 93% London 3-mth Treasury Bills: FFr6.8600 (6.7850) yield: 8.47% (8.46) SFr1.7550 (1.7400) Bond: 10832 Y148.80 (146.05) COLD yield: 8.12% (8.14)

York Jatest Ne₩ \$366.9 (362.0) close 1453% (1416)

STOCK INDICES New York close Dow Jones Ind. Av. 2,518.66 (+5.24) SAP Comp 326.69 (-0.46) FT-SE 100 2,138.3 (-3.8) New York close DM2.0200 (2.011) 140.97 (Fri) Tokyo Nikkei Ave

> 1,782.0 (-1.6) Brent 15-day (Argus) \$16.805 (-0.745) (July) West Tex Crude \$19.475 (-0.5) (July)

33,398.01 (-241.97)

Frankfurt

Union were part of "growing

many donors expect a snarp reovery in project-related business. Page 8

Financial Futures 44
Gold 36
International bonds 30-31
Intl. Capital Markets 30-31
Letters 23
Lex 24
Management 17
Money Markets 44
Observer 22

-Wall Street 37 38-41

EUROPEAN NEWS

W German illegal exports inquiry

WEST GERMAN criminal investigators have searched the home of a former federal official in connection with inquiries over alleged illegal export of components for a ballistic missile system in Iraq. The search, confirmed yes-

terday by the state prosecutors office in Bielefeld, was mounted at the home of Mr Gunter Welzien, formerly a senior official at the Bundesamt für Wirtschaft (BAW), the Government's office at Esch-born, near Frankfurt, which vets high technology sales

The Bielefeld prosecutor's office said the search was made as part of investigations into alleged breaches by West German companies of export guidelines on sales of weap-

onry abroad.

These inquiries up to now have centred on Gildemeister, an engineering company sus-pected of involvement in an Iraqi project known as Saad 16, based on a "technology centre near the town of Mosul.

prosecutors have also involved

azine at the weekend, con-firmed by the Bielefeld office activities to the affairs of the BAW itself.

Although the BAW and the time that formal suspicions

The Bonn Government, under pressure from the US Administration to tighten up ased on a "technology centre" brought out a package of new measures to improve export control procedures.

FRANCE WILL welcome the leaders of 20 developing nations, as well as those of the six other members of the Group of Seven industrial nations, to celebrate the bicentenary of the French Revolution in Paris next month. The 27 heads of state and

government, with the possible addition of some late acceptances, are expected to take part in a commemoration of the declaration of human rights and in the inauguration of the new Bastille Opéra before leaving the G7 members to get on with their annual economic summit on July

Diplomats in Paris say the co-ordination of the two meetings has not been easy. Some industrial nations have been unwilling to have their regular G7 meeting linked too closely to development questions, and the leaders of some African, Asian and Latin American countries have been equally reluctant to appear the poor

Officials at the Elysée Palace said yesterday that develop-ment, and environmental questions, would in fact be the two most important themes of the

a subsidiary, Transtechnica, of aerospace group Messer-schmitt-Bölkow-Blohm A report in Der Spiegel mag-

yesterday, said that the state prosecutors had extended their

Bonn Economics Ministry yes-terday tried to play down the allegations, this is the first have been raised of connivance by the Eschborn-based licen-

loopholes in export controls, has long been trying to improve efficiency at the BAW. Following the affair of illicit West German industrial deliveries for a poison gas factory in iraq, the Economics Ministry at the beginning of the year

Revolution party draws world leaders to Paris

By George Graham in Paris

Besides monitoring progress on cancelling or severely reducing the debt of the very poorest developing nations, as agreed at last year's summit in Toronto, French officials hope the summit will reach agree-ment on the strategy to adopt on the debt problems of inter mediate income nations, on which France, the US and Japan have all put forward

At the same time, President François Mitterrand wants to put forward measures on the environmental front which will also help Third World coun-

These could include an inter-national agreement to help Bangladesh build dykes to stop flooding, as well as work on reafforestation in Latin America and on halting the spread of desert in northern Africa. President Mitterrand has proposed to extend the recently agreed restrictions on emis-

sions of chlorofluorocarbon gases, which damage the earth's ozone layer, to cover carbon dioxide emissions, as well as calling for funding from the industrial nations to help Third World countries comply with the same emission

GATWICK-SCANDINAVIA

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Former official in | Swedish Government's popularity plummets

By Robert Taylor in Stockholm

SWEDEN'S MINORITY Social Democratic Government is suffering a sudden, serious decline in popularity as a result of its handling of the country's economic problems. A survey in the national newspaper Dagens Nyheter by the Temos poll organisation revealed that support for the Social Democrats has fallen by

percentage points in only a month, to 38 per cent.

This is the biggest fall in electoral popularity ever suffered by the party in a single month, and it is the first time the Social Democrats have

dropped below 40 per cent in

the past five years.

The popularity of Mr Ingvar Carlsson, the Prime Minister, has also declined significantly. According to a poll from the SIFO organisation only 30 per cent of the voters have great confidence in him - half the figure of three years ago.

There is little doubt that the

Government's troubles are directly related to the lengthy political crisis caused by the need to introduce economic austerity measures to dampen down the economy, which ended only a fortnight ago.
The final package of compulsory savings and higher taxes

The issue of foreign member-

nip raises sticky problems for

the organisers of the two research initiatives, which are

being backed by large amounts

THE SOVIET Prime Minister, Mr Nikolai Ryzhkov, yesterday

inspected damage caused by riots in the Fergana region of Uzbekistan as state television

reported uneasy calm after 10 days of ethnic violence in

which at least 100 people died, Reuter reports from Moscow. The local Meshketian minor-

ity, target of Uzbek attacks, was able to bury its dead for the first time, the television report said. Today was the first day when not a single

shot was registered in the whole Fergana region," the report said, adding that the sit-

uation had still not returned to

The television said plans to

evacuate 17,000 Meshketian ref-ugees to central Russia had

emerged as a tactical compro-mise between the Social Democrats and the opposition Centre Party and it had little resemblance to the initial proposals from Mr Kjell-Olof Feldt, the Finance Minister.

But the main opposition par-ties are not benefiting from the Government's difficulties. Both opinion polls this week suggest that the right-wing Moderates have only around 19 per cent support and the Liberals between 12 and 12.5 per cent. The Centre Party has neither

gained nor lost support through its economic deal with the government with a poll rat-

posed by both the Americans and the Japanese. Government funds are being

injected into both the pro-grammes on the grounds that semiconductors are a strategic

ing of between 11.5 per cent and 12.2 per cent.

It is the Greens who seem to be the main beneficiaries of voter discontent. Their support is now running at between 0.6 per cent and 8.5 per cent, while the Communists have also grown stronger in the SIFO poll with a 7.7 per cent rating. The storm clouds are also gathering over the Swedish

economy. Economic prognoses in the past fortnight suggest a 7 per cent inflation rate this year and next, 2.5 points above the OECD average. Wage increases are running at around 9 per cent and the ar and next, 25 points above

mounting balance of payments deficit could exceed \$Kr20bn (£1.9bn).

Observers are concerned that if the Government cannot cool down the economy over the next 12 months, it will be very difficult to carry through the radical tax reform pro-

gramme for 1991. Mr Feldt made it clear in this week's economic debate in Parliament that sweeping cuts in income tax in January 1991 under his tax plan would dangerously fuel cost pressures in the economy if the present aus-terity package, due to end in December 1990, did not work.

US and Europe may open up chip research efforts

THE US and Western European governments may allow foreign companies to enter their flagship semiconductor research programmes if reciprocal access arrangements can be made on each side of

the Atlantic. American and European trade representatives have already opened talks on the issue, according to officials in Brussels. These discussions are expected to gain additional momentum once the formal launch of Joint European Sub-micron Silicon (Jessi), the \$4bn European research project, is made later this month.

Way cleared for Ethnic violence eases as EC trade talks with Moscow

By David Buchan in Luxembourg

THE European Commission has been given a formal mandate by EC foreign ministers to start trade negotiations with the Soviet Union.
One of the EC's goals is a

trade accord under which quotas on Soviet imports would be gradually scrapped in return for more information on, and access to, the Soviet market for Western businessmen.

The other aim is economic co-operation in a dozen sectors, including energy, transport, environment, nuclear safety, science and technology.

The EC reached trade

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accords with Hungary and Czechoslovakia last year, and negotiations with Poland and Bulgaria are already in train. EC ministers have indicated been slowed by a shortage of Earlier, the official Tass to the Commission they would like speedy negotiations, parnews agency said the fighting, which broke out in the city of Moscow. But a deal with the Soviet Union is not expected before the end of this year. Fergana, had spilled over into the neighbouring Namangan region, with up to 2,000 people involved in riots in its regional

of public money.

Both Jessi, which will run national resource, important for both defence and general for eight years, and the \$1bn Sematech programme in the US were aimed at strengthen-ing national, locally-based industrial development. For this reason, foreign companies are being excluded from the semiconductor manufacturers projects so that funds will flow in the countries concerned. US directly to domestically-owned companies supported Sematech

Ryzhkov visits Fergana

The problem with this approach is that in both Ameras a means of fighting back against the Japanese chip man-ufacturing industry, while the Europeans backed Jessi as a response to the challenge ica and Europe there are several large-scale producers owned by overseas companies

A gang also razed the village of Gorsky, in the west of the

Fergana region, "again spilling blood", while 400 more Uzbeks, armed with automatic rifles, tried to storm a camp housing

Meskhetians in the mountains

nearby, Tass said. Tass said that beside the 100

people killed at least 1,000 had been injured. A Moslem in Moscow, in contact with activ-ist groups in Uzbekistan, said the death toll ran to several

hundred and he believed more

than 3,000 people had been

Soviet press, it appears the worst of the recent violence

took place when 400 Uzbeks tried to attack a camp in the mountains west of Kokand on Sunday to which many Mes-khetians had fled.

Mr Ryzhkov was accompanied by Mr Viktor Chebrikov, a fellow Politburo member and former KGB chief who cur-

rently heads a commission on legal affairs.

From reports in the official

but in every other way part of the national industry. In the US, for example, Philips and SGS-Thomson, two of the leading European compathe leading Entropean compa-nies, have substantial operations, while virtually all the big US manufacturers are present in Europe. SGS has made no secret of the fact that it would like to join Sematech, and International Business Machines, the US computer company which is also the company which is also the world's largest producer of memory chips, is believed to have approached Jessi.

The European industry appears broadly in favour of allowing foreign companies to join Jessi, as long as European producers can achieve recipro-cal arrangements in the US. An additional question is the position of the big Japanese chip manufacturing groups.

Japanese companies are now increasingly establishing production units in the US and Western Europe, and might therefore apply for membership of the two research proship of the two research pro-grammes. If this were to occur, however, the US and European companies believe that they could use the reciprocity argument to exclude Japanese groups from membership.



Admiral William Crowe (right), chairman of the US Joint Chiefs of staff, and his Soviet counterpart Gen Mikhati Moiseyev (left) yesterday signed an accord aimed at preventing accidental conflict. The US admiral said it was proof of the superpowers' progress towards a "more sastalnable larger relationship"

Turks expect 25,000 Bulgarian refugees

pouring rain and day near Turkish towns to the Bulgarian border, to accommodate Bulgarian-Turkish deportees who have been expelled by the Bulgarian authorities.

Just over 1,000 refugees arrived yesterday, pushing the pushing sees were bogus, sent by Bulgaria as spies, Mr Ercument Konukman, the Turkish Minis-

TENTS FOR 25,000 people bances in early May.
were being hastily pitched in
pouring rain and hail yesterday near Turkish towns close
to its four year cam-Sofia cracked down on resistance to its four-year campaign to force members of its Moslem minority to renounce their Turkish cultural iden-

ter of State, said. He also said Bulgaria was testing Turkey's patience by sending across ref-ngees in ever-larger batches. The Bulgarian Turks are being expelled by bus and train through border crossings at Kapikule and Derikoy. Oth-ers have travelled to Turkey through Greece, Yugoslavia

and Austria. Bulgaria says it is responding to an open-door policy announced by Ankara in mid-May for all who wished to leave Bulgaria. However, the Turkish Government says the refugees have been summarily expelled with scant respect for their human or property

rights.

It maintains that the deportees are allowed to carry only the barest essentials, with no safeguards for homes and possessions left behind.

Palermo keeps it in the family

Mafia allegations dominate the poll in Sicily, writes Alan Friedman

tings of Palermo the most "European" feainost European election campaign is perhaps the city's Bourbonic legacy of high tension, stark social divisions and the continuing tradition of "changing everything in order to change absolutely nothing".

For the 700,000 inhabitants of the Sicilian capital this campaign has little to do with electing representatives to the Strasbourg parliament; Palermo will soon be receiving nearly \$2bn of European Community aid for the restoration of its historic centre, but hardly any politician even speaks of Furopea

speaks of Europe.

The first and foremost election issue remains, plainly and simply, the Mafia and its alleged ties to politicians. It is an issue that has deeply divided the Christian Democrat party in Palermo, which consists of two opposing factions, the reform-minded anti-Mafia campaigners who now lead the city government and the traditionalists whose own faction tionalists whose own faction has been discredited - but not weakened - by the prosecu-tion of a former Christian Dem-

ocrat mayor on malia charges.
This distinctly local issue is set against the backdrop of renewed Malia violence, the inability of law enforcement officials to co-ordinate their efforts against new Mafia clans that are regrouping and earning billions of dollars of revenues from the heroin trade, and the Malia's continuing influence over the Sicilian economy and politics.

The rivalry inside the Christian Democratic party, which accounts for about 40 per cent



of the votes in Palermo, is both a local battle and a proxy war at the national political level. At the local level, the battle sets Mayor Leoluca Orlando, the young and reformist anti-Mafia Christian Democrat against the mysterious Mr Salvo Lima, the 61-year-old kingmaker and symbol of the unreconstructed wing of the Christian Democrats. Mr Orlando has been supported by Prime Minister Ciriaco De Mita while Mr Lima is backed by Mr Giulio Andreotti, the foreign minister whose own faction opposes Mr De Mita inside the

party.
Mr Lima, a Euro-MP since 1979, has been accused by political opponents on numerous occasions of being associated with the Maila. He was mentioned 163 times in the Rome parliament's anti-mafia committee report, and he is known in Palermo as "Andreotti's pro-consul". In 1984 Mr Lima issued a rebuttal to the various dossiers that were circulating about him; the strongest argument he made was that despite being investigated on several organizations had never activities. occasions he had never actually been convicted as a mafi-aso. Mr Lima declined to be interviewed.

The problem for Mayor Orlando and his anti-mafia political allies is that despite political allies is that despite governing Palermo since 1985 they have depended heavily on the political protection of Mr De Mita, Mr Andreotti's enemy. Mr De Mita is now so enfeebled that Orlando supporters fear that Mr Andreotti will be able to help the Lima faction to recover control of the Sicilian capital.

Mr Andreotti has come to

Mr Andreotti has come to Sicily to campaign with Mr Lima, who is number two on the regional Euro-election list for Sicily and Sardinia. Mayor Orlando says that he came under heavy pressure from this Mayor Orlando Says that he came under heavy pressure from the Minister De Minister to Prime Minister De Mita to stand for Strasbourg (along with Mr Lima) on the Christian Democrat ticket, but refused because I do not wish to be associated with Lima in any

way".
Padre Bartolomeo Sorge, a
Jesuit political thinker who is
on Mr Orlando's side, says the
Euro-election campaign in Palermo is fundamentally about
whether the reform and modernisation policies of Mr Orlando will survive.

"The decapitation of De Mita at the national level is a grave at the national level is a grave problem here. As soon as De Mita lost his post as party secretary Orlando was weakened," notes Padre Sorge who fears that without external support from Mr De Mita in Rome the anti-maila experiment in Pal-ermo may not last much lon-

Mr Lima, who sits on the national executive of the Christian Democratic party, has con-

sistently attacked the De Mita policy of rinnovamento, or renewal of the party, and has accused Mr Orlando of merely making a name for himself on the back of anti-mafia rhetoric. the back of anti-mafia rhetoric. In an interview in 1987 Mr Lima said: "I am perhaps part of the evil here in Sicily, but at least I get things done." Mr Orlando replies that Mr Lima and Mr Andreotti are "obstacles to the modernisation of our party" and that Mr Lima "is the symbol of an archaic sort of politics, of cliques and class".

Aside from the Christian
Democrat internal squabble
the other issue in Palermo concerns the role of the Socialist
Party of former Prime Minister
Bettino Craxi. Mr Craxi and the Socialists detest Mr Orlando for another reason: the Orlando for another reason: the Orlando city government is an unusual coalition of parties that includes Communists, but not Socialists. Mr Orlando and the Communists say that the Mafia is now shifting some of its electoral support to the Socialists; the Socialists reply that this is nonsense and refuse to sit at the same table. refuse to sit at the same table with Mr Orlando. Mayor Orlando meanwhile

carries on with his own anti-Mafia agenda, admitting that in Palermo "no one seems to care about the European

But will he survive politi-cally much beyond the Euro-election in order to carry on nis work? The 41-year-old mayor of Palermo sighs deeply, shrugs with uncertainty and sums up the state of politics in the capital of the Mafia quite bluntly: "I don't know," he says, "I just don't know."

Hungarians end a long silence on Imre Nagv

By Leslie Collit

"THE PEOPLE remain silent a long time but they do not bu-get," said a commentary in the Hungarian government newspaper, Magyar Hirlan, on next Friday's Day of Mourning for the victims of the 1956

In an unprecedented cere mony and a nationwide minute of silence on Heroes Square in of stiered of the ball ball Budapest, Hungary will pay tribute to intre Nagy, Prima Minister during the uprising his associates, and hundreds of others who were also executed Mr Nagy and his axies were the victims of a "show trial", as Hungary's new Foreign Min-ister, Mr Gyula Horn, acknowl-

edged recently.
Proceedings have been launched to have them fully rehabilitated. After the memorenamental Arter the instance remains of Mr Nagy and his associates will be rebutied in the presence of their families, most of whom live in the West and who have returned to Hungary for the first time since

The belated tribute comes only a few months after the Communist Party's historical commission ruled that the upheaval was a "genuine upris-ing" which only later became a

The party realises it must come clean about the events of come casan about the event of 1956 if it is ever to gain the confidence of a population still deeply sceptical about political reforms. "The people are now presenting the bill," Magyar Hirlap said. They could not forget the show trials of the 1950s and the suppression of the uprising.

A remarkable new documen-tary film, entitled The Right to Asylum – The Abduction of the Imre Nagy Group, is playing to hushed audiences in Hungarian cinemas and is being gired on television being aired on television. The film consists of interviews with imprisoned survivors of 1956 and the relatives of those executed. They describe how Mr Nagy and his closest associates were given asylum in the Yugoslav embassy in Budapest after the Soviet invasion on November 4 1956.

Mr. Merris Mescary headed Mr Nagy's Moscow-backed successor, Mr Janos Kadar, they noted, had promised the

ances sate-conduct from the embassy to their homes.

But the bus carrying them was hijacked by Hungarian security officials and taken to an army camp.

The film leaves open the question whether Mr Radar, who was ousted from his the Central Committee last month, was duped by the Soviet Union, which arranged

former Prime Minister and his

aides safe-conduct from the

the hijacking.

The abducted men were The abducted men were taken to Romania and kept at a party rest home at Snagov near Bucharest. Mr Nagy and his four associates were eventually returned to Hungary, tried in secrecy and sentenced to death in June 1958. Their families, who were still in Romania, learned of the executions from the newspapers. tions from the newspapers.

De Mita will be asked to try again

President Francesco Cossiga of Italy will ask ask the country's outgoing Prime Minister, Mr Ciriaco De Mifa, to try to form a new government, Reuter reports. Mr De Mifa, whose five party coalition residents reports. Mr De Mita, whose five-party coalition resigned on May 19, is thought unlikely to be able to make any progress until after next Sunday's European Parliament elections. President Cossiga's announcement came a day after Mr Giovanni Spadolini, the Senate president. abandoned his efforts to mediate in the crisis.

Polish PM drops out of second poll

Poland's Prime Minister, Mr Mieczysław Rakowski, yester-day dropped out of a second round of voting hastily arranged after 33 top Commu-nist and allied candidates falled to win election to Parlia-ment last week, Renter reports from Warsaw. A television pre-senter read out a brief state-ment by Mr Rakowski saying he would respect the will of the he would respect the will of the voters. The official PAP news agency said 66 new candidates would contest the 33 seats.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Beauch, reparameter by E. Hugo, Frankfurt Beauch, reparameter, F. Barlow, R.A.F. McClean, O.T.S. Damer, M.C. Gornsan, D.E.P. Pubmer, London, Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurter Societaets-Druckerei-GmbH, Frankfurter Owen, Financial Times, Number One Southwark Bridge, London SE! 9HL. 9 The Financial Times Ltd., 1989.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates \$165.00 per annum. Second-class postage and at New York NY and at additional mailing offices, POSTMASTER, sead address change to: FINANCIAL TIMES, (4 East 60th Street, New York, NY 10022.

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So now you really can save,

BIS urges Washington to cut budget deficit to avert world economic 'crash landing'

By Peter Norman, Economics Correspondent

USING unprecedently strong language, the Bank for Interna-tional Settlements called on the US to cut its budget deficit, to head off any possible risk of a "crash landing" in the world

in Sariah

In its latest annual report, the BIS said an exceptional sit-uation exists "in which a major shift in fiscal policy in the largest economy would unambigu-ously and simultaneously serve the interests of both domestic and external adjust-ment in the greater part of the

The BIS warned that the per-sistent global current account imbalances – typified by the massive US current account deficit and the Japanese and West German surpluses – har-boured the risks of "a crash landing or severe exchange rate misalignments, and danger for financial market stabil-ity and for free trade".

adjustment process having fal-tered since mid-1988. "All round, there has been a policy of sustaining rather than reducing the current account imbalances. Adjustment has not been a pressing issue," it

The BIS has called frequently in the past for the US to cut its budget deficit. But the demand in this year's annual report is notable for its directness: at one point the bank says the lack of progress on the issue by the US is "deplorable".

Significantly, the BIS also significantly, the bis acceptable of the main surplus countries — Japan and West Germany — of the need to act on the fiscal front. "Symmetrical and larger than the larger than the second surplus of cal action is no longer required," the BIS said. "A substantial unilateral

y and for free trade". reduction of domestic demand in the United States through

countries had neglected the imbalances, with the so-called adjustment process the required stimulus.

The BIS noted that domestic demand in Japan grew by 7.75 per cent last year, outpacing output growth by 2 percentage

In West Germany, capacity utilisation in manufacturing had already exceeded the peak of the early 1970s, when inflationary pressures were very strong it added. The report also doubted

whether growing Japanese for-eign direct investment abroad would help cut Japan's current account surplus significantly from last year's \$80bn. Foreign investment generally was accompanied by accelerated exports of semi-manufactured and capital goods from the investing to the host country. Moreover, Japanese investment in the US was concentrated in real estate and trad-

Looking ahead, the bank said forecasts generally pointed to a further small reduction in the US current account deficit this year from last year's \$135bm, "followed by a progressively increasing defi-

The BIS made clear that, in its view, fiscal restraint in the US was the "only rational response" to dilemmas posed by the persistent US current account deficit.

The bank questioned the idea that a substantially lower dollar would be the way to cut the US current deficit. The advocates of dollar depreciation had failed to demonstrate that such action would boost

Without capacity reserves in the US economy, dollar depre-ciation could push US inflation rates higher, possibly setting in train a vicious circle that

correspondingly little impact would nullify any medium or on trade flows. lar on the current account bal-

> A lower dollar would require a cut in the interest rate differentials that have supported the US currency and that could be

> A relaxation of US monetary policy might be counter productive to the adjustment process itself and could also jeopardise US efforts to defuse inflationary expectations. On the other hand, interest rate increases in West Germany and Japan could rein in domestic demand in the surplus countries and expose the world to the risk of a synchronised

cyclical downturn. The bank said the dilemma would be less acute if more evidence were forthcoming of a weakening of demand in the US or if foreign exchange mar-kets revised their bullish views

Warning on continued growth of leverage buy-outs

By Stephen Fidler, Euromarkets Correspondent, in Basis

THE BANK for International Settlements has warned that the growing debt burdens of US companies, brought about in part by the growth of leveraged buy-outs, carry potential risks for the US banking

system.
"The novelty and the com-plexity of the financial issues involved and the fact that they have not as yet been tested in unfavourable economic condi-tions call for close prudential supervision," the Bank's annual report said. Supervisors has already stepped up moni-toring of these issues, it noted. Leverage in the US - the ratio of corporate debt to total

assets at book value - has increased considerably since the early 1980s. "Even if its present level does not differ markedly from that reached in the early 1970s, the recent upward trend has been particu-larly steep and shows little sign of abating," it said

At the same time, US leverage remains relatively low compared with other countrie level in the other Group of Seven countries — Japan, Ger-many, Italy and France. It finds little correlation between the tax advantages of debt over equity, and leverage but suggests that structural features in high leverage countries, largely to do with inves-tor/company relationships, may help to explain why their companies are able to support

It cites the simultaneous holding of debt and equity claims, the smaller degree of fragmentation of equity and debt holdings, and government policy. In Germany and Japan, banks have traditionally held significant equity stakes in companies.

Japanese banks hold about one-fifth of all shares; German banks hold close to 10 per cent but control more through the

system of proxy voting
Their influence is further
increased by the shareholdings
of non-financial companies themselves: one third of the total stock in Japan and two-

incentives to force bankruptcy. In Italy, France and Japan, government policy - in particu-lar the reliance of long-term credit institutions - has permit-

ted the underwriting of losses.
"There is little evidence," concludes the BIS report, "that the increase in US corporate indebtedness has been accompanied by a convergence towards those characteristics of high-leverage countries that would point towards greater debt capacity. Despite some influences which moderate risk, for highly-leveraged transactions in the US, vulner ability to an economic down-

Conditions poor for EC union

CONDITIONS are far from suitable for a rapid move towards economic and mone tary union in the European Community, the Bank for International Settlements

In its latest annual report, the Basic-based central bank-ers' bank said inflation rates in EC countries differ widely and may diverge further. Countries vary considerably in the consolidation of their

Current account imbalances continued to worsen last year, even after making allowance for that part of the West German surplus that has been caused by the European investment boom.

The BIS questioned whether the goods and labour market in the EC is sufficiently integrated to allow current account imbalances to be reduced to sustainable levels vithout rate changes.
It said that continuing inter-

est rate differentials between countries belonging to the exchange rate mechanism of the European Monetary Sys-tem suggest that monetary union for these countries would not be an easy step despite a relatively long period

of exchange rate stability.

Two months ago a committee of EC central bankers and outside experts chaired by Mr Jacques Delors, the EC Com-mission president, published a report outlining three stages for the EC to approach eco-nomic and monetary union.

The Delors report deliberately avoided laying down a precise timetable. But it suggested that the first stage should start on July 1 next year when an EC directive for the full liberalisation of capital movements comes into

exchange rate stability attacked

Over-emphasis on

THE BANK for International Settlements has sharply criticised the world's leading industrial countries for excessive attachment to the stability of nominal exchange rates when co-ordinating their economic

In its annual report, the bank claims that in the period since the February 1987 Louvre Accord aimed at stabilising currencies, the pendulum of policy has "swung too far in the direction of pursuing nomi-nal exchange rate stability." "Focusing on nominal

exchange rate stability at a time when differentials in inflation and productivity growth persist at best opens the door to real exchange rate changes in the wrong direc-tion, to the eroslon of competitiveness in some countries and to the aggravation of external imbalances," it said. "At worst it leads to an irre-

sistible appreciation of the 'wrong' currencies with high interest rates and to even worse effects on the imbal-

The BIS is an influential institution, acting as a bank and research centre for the world's central banks Its report reflects the con-

cern felt by many central banks, including the West Ger-man Bundesbank, that policy co-ordination by the Group of Seven countries has focused too much on nominal exchange rate stability over the past two

The bank noted that curren cies with high nominal interest rates gained strongly in value

After adjusting currency values for movements in unit labour costs, the D-Mark and

yen depreciated by 4 per cent and 9 per cent respectively in 1988 and the first four months of this year.

At the same time, the dollar appreciated by 3 per cent in real terms, while the Canadian dollar and British pound advanced by 17 per cent and 6 per cent respectively.

All the appreciating curren-cies "experienced relatively high, and in some cases accelerating, inflation rates and large or even widening current account deficits," the BIS said. "Unless these currencies were originally undervalued, this would suggest that their exchange rates were being pushed away from their longer term equilibrium level by

excessive capital flows." In its report, the bank said that attempts to peg exchange rates at a time of wide international interest rate and infla tion differentials had caused capital flows either to over- or under-finance current account imbalances such as those that exist between the US, Japan and West Germany.

It suggested more flexibility in official exchange rate arrangements. The official nominal exchange rate targets could make some explicit allowance for the possibility of their gradual adjustment in line with inflation differentials."

However, the BIS rejected the idea of an official "handsoff" policy towards the

In a world of global financial markets, there was no attractive alternative to co-operative exchange rate management backed up with an appropriate degree of international policy co-ordination, it said.

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more on a par with the UK and Canada than with the higher

in selected developing countries, 1978-87 (in \$in)				
	Change in net foreign assets*#	Liabilities to Bis reporting banks at end-1988		
Argentina	31.4	35.1		
Bolivia	1,3	0.4		
Brazil	32.1	75.9		
Chile	-1.5	11.0		
Colombia	4.1	6.9		
Costa Rica	0.0	0.9		
Ecuador	3.3	4.9		
Mexico	56.1	89.3		
Peru	2.6	4.6		
Uruguay	1.5	20		
Venezuela	38. <i>7</i>	25.5		

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'Gradual approach' to markets advocated

By Stephen Fidier A MORE gradual approach to liberalising London's financial

market might have been

advantageous, the BIS annual report suggests.
Discussing the retreachment Discussing the retrenchment of the London market since the crash, the Bank says that losses incurred by intermedi-aries because of Big Bang could eventually result in fewer market makers than would have been the case if liberalisation had been gradual. "This danger is exacer-bated by the possibility that the authorities may initially underestimate the costs to practitioners of maintaining certain standards of transper-ency and liquidity," the report

Says.

Contrasting the Big Bang with Japan's gradual approach to liberalisation, it suggests Big Bang could have some advantages, however. "It allows market forces to determine the number and composi tion of intermediaries in each market and may enable the authorities to focus more clearly on establishing high standards for the functioning of markets."

• Japanese banks and their affiliates accounted for 90 per cent of the growth in interna-tional banking business in 1988, compared with less than 50 per cent when the market grew more quickly in 1987.

Bright spots for Africa

By Peter Norman

MALAWI and Kenya provide two bright spots in an other-wise bleak African economy, according to the latest annual report of the Bank for International Settlements

Despite having few natural resources, income per head of \$165 and a debt-to-export ratio of 400 per cent, Malawi has grown at 3 per cent per year since 1982 and cut its public sector deficit to 7 per cent from 17 per cent of gross domestic product in less than a decade. Kenya, helped by prudent demand management, has suf-fered only a 0.4 per cent fall in

despite population growth of 4.9 per cent per year since 1982. The BIS said that Kenya's competitiveness has improved while inflation has been brought down to 8 per cent tinder stable fiscal and tighter monetary policies.

The BIS said that serious

annual income per head

problems remain in sub-Saharan Africa despite an acceleration in economic growth to 2.8 per cent last year from 1.3 per cent in 1987.

The countries are extremely exposed to external shocks because they depend on a narrow range of export commodi-ties that are subject to large price fluctuations.

fifths in Germany. "Not only do these arrange ments facilitate the monitoring

of performance and the contro of the borrowers' policies, they also tend to reduce the credit institutions' incentive to force bankruptcy and liquidation at times of financial stress. They therefore provide an environment which is more favourable to leverage."
Similarly, concentration of

equity and debt reduces the

FINLAND ON THE WORLD STAGE

A crushing victory in global competition

By Victor Thorne, Helsinki

Rauma-Repola:

Dramatic changes in the business emphasis 🍡 within Finland's Rauma-Repola Group following significant divestments and major ... acquisitions have placed the company precisely where it sought to be in the market charts across a reduced spectrum of operations: within the top three in the world, preferably in the top spot.

neering, marine technology to form Neles-Jamesbury, and shipbuilding to forestry Rauma-Repola more than equipment and products, doubled its turnover in this packaging and services con-specialist sector to \$310m. cern has seen its group net Nestling among the top

to the total net sales.

pany's industrial valve shipbuilding side. the addition to its Neles Executive Officer Group last autumn of Rauma-Repola, adds a

In the process, this engi. America's Jamesbury Corp.

sales figures soar from three in its field worldwide, \$2,036m in 1987, through Neles-Jamesbury is superb-And the purchase in May of North Sea oil industry use over 95% of the shares of isolating valves on the gas new drilling rig orders in Timberjack Corporation of and oil pipelines rising 1988, so far this year there have been two placed, and Rauma-Repola the world's drilling rigs. The increased we received one of them.

The packaging and services division commands some 12% of the group's total net sales - once again, have leading manufacturer of attention paid to safety in leading manufacturer of attention paid to safety in "We are closing one not accounting for the intions and divestments, market share, has doubled the catastrophe on the Pipselecting only the more fluence of Timberjack. Turhave shifted the emphasis the turnover of this division er Alpha rig last summer, profitable orders we should nove in this sector having within the Rauma-Repolation. and added a further \$200m which claimed 167 lives.

The crushing equip- sion, the Neles-Jamesbury ating profit for 1989 to end 30%, Rauma-Repola re- do best," Matomäki comment business has under- subsea valves close rapidly the year with perhaps only gards it as a growth area, ments. gone similar expansion, to shut off gas discharge to minor overall losses in this with developments so far "A with the acquisition at the the platform and prevent a sector." end of 1987 of the European holocaust. What is more, The pulp and paper di-strategic targets it has set status in specialist areas in activities of the Nordberg while ordinary ball valves vision now accounts for 6% for the division. Group, including Bergeaud cannot endure the sea-bed less of the group's net sales Tauno Matomäki: "For ourselves. We were very S.A. of France and Nord-conditions, these are de than in 1985, down to 20%. this first phase of pack- much a Finnish company berg (UK) Ltd, early this signed to stand up to the Nonetheless, Rauma- aging development, we're in 1985, with 89% of our year Nordberg's North deepsea elements over the Repola is investing in a concentrating on the Euro-

ed \$220m for the current Repola's engineering divi- the world's leading makers within the EC in this sec- ture in Sweden, France and year. sion, along with Timber- of magazine paper, to boost tor, in France, Belgium the UK, and in the USA

At the same time, the jack, has expanded from a the machine's capacity and Portugal; but we must and Canada.

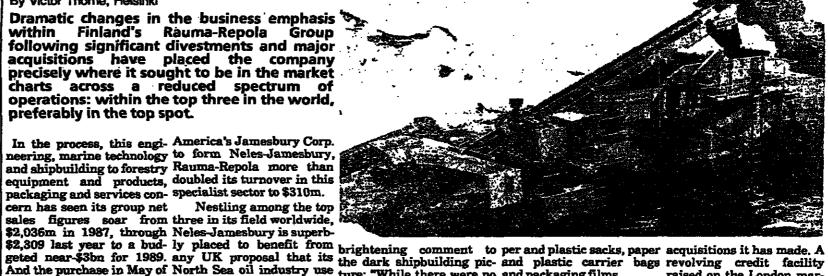
At the same time, the jack, has expanded from a the machine's capacity and Portugal; but we must and Canada.

Canada and Can Repola, operating in this 1985 to account for about tonnes a year of SC gra- Teno acquisition before shifted, too. Over the same sector under the Nordberg 40% this year. Shipbuilding vure. Group name, worldwide and marine technology's Paper machine no.1 at position in the European sales by final market area leadership in stone crush-share was halved over the the mill had undergone plastic packaging market." drop from 35% of our total ers with a 15% market same period, shrinking to much the same treatment

business stood still. With Tauno Matomaki, Chief

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manage to maintain the doubled, and the increase Group and concentrated In the event of an explo- improvement in our oper- for 1989 alone estimated at our resources on what we

American operation, rais-entire service life of an off-complete rebuild of its papean market only. We've here. By 1990, that level ing turnover from some shore oil or gas field.

\$30m in 1987 to an estimate All told, Rauma Paper mill, one of some minor companies a great deal of manufacture and the papear of the papear mills on the Euro-production lacinities based and concentrating on the Euro-production lacinities based and concentration lacinities based and concentration

with a 15% market same period, shrinking to list summer to increase its.

12%, principally as a result output of LWC grades from chanical woodworking discountries to 18% today, output of LWC grades from the vision has shrunk from a shiphyilding side.

Neither has the composition of a heavy downturn on the 35,000 to 180,000 tonnes a vision has shrunk from a creasing from 5 to 15% and composition of the composi

tal net sales - once again, have made, the acquisi-

year at a design speed of 22% share of net sales in creasing from 5 to 15% and 1,200 metres per minute. 1985 to 16% in 1989, the slight rises in Western Eu-Playing the numbers wholesaling business of rope, in Finland itself and game once more, the group timber for builders' mer- in other Scandinavian holds the position of one of chants remains highly countries. the three major players in profitable and is regarded Europe in flexible pack- as an important part of sales for 1989 are expected

via's number one manufac- Group, it has been a careful of which will come from exturer of plastic films, with balancing operation of di- ports and overseas oper-W. Rosenlew Ltd, 75% vestment, bond issues with ations. All in all, we feel owned by Rauma-Repola, equity warrants, share is- we're achieving the goals which was already leader sues and a modicum of in- we set for ourselves." on the European bulk con-ternational funding to tainer market with its pa- raise capital for the major

raised on the London market late last year helped.

"A few years back, we very much in line with the set out to gain a leading which we'd already proved

we're ready to expand our period, we have seen our While the group's me- in 1985 to the Comecon

"Our consolidated net aging, with the merging in Rauma-Repola's portfolio. to reach around \$2.85 bil-1988 of Teno, Scandina- For the Rauma-Repola lion, almost three-quarters

Hong Kong's

Chinese leaders have resorted to the familiar tactic of inciting xenophobia, says Robert Thomson

has a habit of blaming the outsider. Most of the "counter-revolutionaries" arrested in Peking in the past few days are said to come from outside the capital and foreign-ers, in particular the US, are routinely accused of inciting the pro-democracy movement crushed just over a week ago.

Foreign journalists are harassed, with a BBC crew detained yesterday and several Western correspondents assaulted during the past week. The hard-line leadership has a special dislike of the Voice of America, which is condemned each day in the official press and on state-run

Chinese television news includes the reading of letters allegedly written by viewers outraged by the Voice of America's "lies and distortion" of frenzy during the cultural rev-

the democracy campaign and the crackdown. Editorials in the People's Daily and the Peking Daily yesterday accused the network of "compiling lies and creating

Britain is also on the fringe of a diplomatic row with China over the arrest on Sunday at Shanghai airport of a Hong Kong man said to belong to an illegal organisation.
The Chinese leadership has

been angered by the Hong Kong criticism of its actions and will now be tempted to blame it all on the British. Playing the foreigner card has been an option since China was forced to open to the outside world a century and a half ago and it has regularly been played by the Communist leadership in the past 40 years. olution when the least contact with an outsider was evidence that an accused was, in the jargon of the time, a "capitalist

The refuge given to the country's most prominent dissident, the astrophysicist Fang Lizhi, and his wife at the US embassy in Peking has prompted the party leadership to turn more attention to the "external threat" than internal

The US action is officially described as "interference in internal affairs" and coverage of the issue has attempted to rouse the deep nationalism of the Chinese against alleged for-eign influence of students.

When the party criticises "bourgeois liberalism", which is seen by the paramount leader, Deng Xiaoping, as the real cause of dissent, it is

ence. In recent years, that would not be influenced by the influence has been described as condemnation. an "evil wind" and blamed for the rise of "spiritual pollution" and "unhealthy tendencies".

The elderly leaders now running the country appear to be unmoved by the foreign condemnation of China. Despite bans on arm sales, threats of tougher sanctions and the strong criticism the party has continued unperturbed with its brutal purge.

A spokesman for the leader-ship, Yuan Mu, has warned for-eign countries not to take a "short-term" view of things and made clear that China

The lack of concern for the

country's reputation is remarkable given the slow building of China's international stature in the past two decades and the attention given to cultivat-ing foreign confidence in the country's reliability as a trading partner and a place for

Yuan Mu suggested that for-eign "loans and credits" were of no value if the party was not

Diplomats say the foreign ministry has been isolated by the hard-line leadership, which

suspects that the ministry is too "liberal".

Last night, in the first recog-nition that trade and invest-

ment will be hit, the China Council for the Promotion of International Trade said the country was "willing to main-tain and expand economic and trade contacts with counter-

parts all over the world".

The statement alluded to "the current temporary difficulties" and suggested that "foreign businessmen would be far signed in considering cooperation with Chinese economic and trade organisanomic and trade organisaproperty dealers in no rush to sell TRANSACTIONS on Hong Kong's property market have virtually ground to a halt after Michael Marray on the violent suppression of the anxieties over the student protest movement in China. Both buyers and sellers are playing a waiting game as they assess how badly local confidence has been

A fall in property prices is widely regarded as inevitable but potential sellers have been unwilling to drop their prices, preferring to hold on for a few present out their weeks or rent out their properties. Agents report that inquiries from big overseas investors on office buildings

and other major acquisitions have also dried up.

"The sales market has gone at the moment," said Mr Paul Varty of agents Chesterton Petty. "People are saying let's hold and wait and see."

Mr Variy envisages a drop of 15 to 20 per cent in residential prices although according to Mr Raymond Ma, director at L and D Associates, there could be a stump of 30 per cent or more in the luxury sector. Mr Ma reports strong business in the leasing division, as owners switch to letting out their properties as an interim

Aside from the selling of local stocks by overseas investors, international concern over Hong Kong's prospects has been underlined by a decision by Moody's credit rating agency to review the "a3" sovereign rating assigned to China and the "a2" sovereign cailing assigned to the long-term deht of Hong Kong corporations.

Should Moody's downgrade

son are convinced that with the political atmosphere in China changing rapidly, regu-lations will be altered and all Chinese enterprises will seek to bend rules in their favour in Hong Kong, it will not affect the Government which runs up large budget surpluses and does not need to borrow money. Mr David Nendick, the colony's Secretary for Monetary Affairs, says the Government did not ask for the Moody's rating and did not co-operate with the agency, keeping secret vital keeping secret vitai information such as the size of the reserves in the exchange

"It is a decision to review China's credit rating," Mr Nendick said of the Moody's Even so, growth prospects for their small company have become much more limited and they are already thinking about ways to expand elsewhere, perhaps in Vietnam if a restoration of US-Vietnamese ties should make this possible. move, rather than something aimed specifically at Hong The mass transit rallway

corporation, which is the colony's biggest borrower and

colony's prospects as a financial and business centre

regularly raises funds locallyand in overseas markets, would be the most likely to suffer from a downgrade. "We have almost finished our 1985 programme anyway." said Mr. Roger Moss, finance director for the railway.

The local interbank market has settled down after pressure from last week's mass with-

from last week's mass with-drawal of savings from banks within the Bank of China group. This

This protest proved short-lived following appeals to the public not to damage Hong Kong's banking sector. Despita losing large amounts of deposits the Bank of China appears to have weathered the storm. However, the group is required to report daily to Mr Anthony Nicolle, the colony's commis-

Nicoile, the colony's commissioner for banking.
In a clear attempt to stress that it is still business as usual in Hong Kong, the Bank of China yesterday substituted its own name for its merchant banking subsidiary, China Development Finance, on the "tombstone" advertisement for a HK\$470m loan (\$382m) for the Universal Matchbox Toy manufacturing group, one of manufacturing group, one of the few syndicated loans arranged recently.

arranged recently.

The primary worry of local banks and the many oversess institutions based in the colony relates to their substantial loans in China, often to Hong Kong-based companies with joint venture projects over the broder. Hotel projects in China are a

source of concern, given the cancellations of visits to China.

cancellations of visits to China. Hong Kong hotels also report substantial cancellations from groups visiting both Hong Kong and China.

According to Mr Douglas King, general manager for marketing of the Hong Kong Tourist Association, the biggest fall-off is likely to be in visitors from Taiwan. There were 1.1m Taiwanese visitors to Hong Kong last year, a 209 per cent increase over 1987.

Three ANC

Entrepreneurs' hopes dim as their clients take fright

Steven Butler on a US business in Shanghai

S MARDI MASTAIN and Ms Robin Don-aldson have struggled for four years to keep a small business going in Shanghai, finally hitting pay-dirt last

Export Import of East Asia, which these two young American women own jointly, oversees the manufacture of cloth-ing for big US retailers, including K mart, Lands End, Lord & Taylor and Saks Fifth Avenue. It also services visit-ing executive aircraft and offers consulting services to

other foreign companies.

Their speciality is advising joint ventures how to dispose of wads of Chinese currency which they earn locally but cannot convert to foreign exchange. Johnson Wax, which has a \$124m (£78.5m) a year manufacturing operation in Shanghai, tried to buy them out last year to solve its own foreign currency problem. But the two women set what they dmit was an unrealistically high price because they wanted to stay independent.

In the past two weeks, with the Chinese government seem-ing on the edge of collapse, with fighting on the streets of Peking and with Shanghai

By lan Rodger in Tokyo

JAPAN'S official development

assistance (ODA) last year reached a record \$9.1bn, which

is 22.5 per cent higher than in

ther previous year, according to Japanese Foreign Ministry

figures. However, it still remained

second to that of the US which, according to preliminary projected figures would reach slightly less than \$9.8bn for 1988. The US development assistance excludes military aid. Official U.S. figures will be announced later this month.

the largest donor this year.

Japan's aid is still relatively

low in terms of gross national

women's dream of building a successful business seemed about to collanse.

US clothing buyers cancelled orders in China because they could not be sure of timely delivery. Senior executives

China intends to continue to service its foreign debts, Chen Yuan, deputy governor of the People's Bank of China, said yesterday, Stephen Fidler writes from Basle. Chen, in Basle for the meeting of the Bank for Interna-tional Settlements, said there had been no short-term disruption of debt repay-ments despite the events in his country over the last two weeks. With foreign debts debt service payments to receipts from abroad was

low at about 15 per cent.

scrapped visits to China during the high season of May and June and the prospect of a growing consultancy seemed dashed by dimmed hoped for new foreign investment.

Now the deep pessimism of a few days ago is gone. Shanghai industry is producing again and Ms Mastain and Ms Donaldson managed to find alternate although higher priced financing for one cancelled

order. Even so, what looked like a high growth business has been badly hit. Their tronbles are unfortunately a good indication of why turnoil in China is likely to damage seriously China's foreign economic relations for more than a brief

"The sensationalising of this horrible event in the media really scared our clients," says really scared our clients," says
Ms Donaldson. Faxed inquiries
about what was going on
began to arrive soon after demonstrations started in Peking
and they were pouring in after
troops opened fire, along with
cancelled orders.

"We can manage production
here," says Ms Mastain, "The
hig problem will be to convince
clients to continue ordering

clients to continue ordering goods from China." One critical factor in clothing orders is being able to meet schedules. But with production in factories down for a week and with goods piling up on the docks after a brief closing of the port one test order now looks like being a month late

in delivery. order from this new client. The question is whether regular customers will be scared away as well, especially when China was already seen as risky in-terms of delivery and quality.

Shanghai residents read a statement by President Bosh yesterday posted on the US consulate wall The turmoil also appears to have fouled the Chinese financial system. The two women forwarded money for an order to the China National Export and Import Company but the Chinese company says that it has run out of cash and cannot send any to the factory. So the factory has stopped work on a partially completed order, meaning another potentially

The aircraft servicing business looks to be hit even more

Yet the real crunch, they believe, will come when com-panies start to question why they are in China at all, because rates of return on capi-tal are bad for almost every-one. When China seemed set

on a path of growth and reform, with political stability, this appeared a price to pay for entering a huge market. Now this rationale looks less persuasive. "This is really going to be what hurts China," says

They know about the trou-bles of joint ventures because, with their extensive experience dealing with Chinese organisadealing with Chinese organisa-tions, they are asked to solve, problems for much bigger com-panies, ranging from convert-ing currency to setting up a nationwide distribution system for refrigerated chemicals.

The way they see it, China is run by a set of vague regula-tions that are interpreted arbi-trarily and that often have to

William Dullforce sets the scene for a UN-sponsored conference on the 'boat people'

about Hong Kong's future, of refugees languishing in asy-when it is returned to China in lum camps. Sir Geoffrey Howe, Britain's

Sir Geoffrey Howe, Britain's Foreign Secretary, and Sir David Wilson, the Hong Kong Governor, will address the Geneva conference today. Sir Geoffrey's speech will be closely examined for signs of dissent from the proposed plan of action, but London is likely to aim at having the plan anoroyed. approved.

The UK would then seek to have the steering committee provided for in the plan convened quickly, so that it could exploit alternative options, such as mandatory repairia-tion, left open in the plan.

unpredictable ways.

"Joint ventures are going to

have more problems now than they had in the past," says Ms Mastain. This is in some way a

silver living for their company, because problems for joint ven-tures mean more business for

A joint UK-Hong Kong team has already had two rounds of talks with Vietnamese Government officials about repatriation and Mr Geoffrey Barnes, Hong Kong's Security Secretary, said last week that the colony would be pressing outside the conference for follow-up action "on a bilateral basis if pecessary".

sis if necessary". The size, tenacity and complexity of the refugee problem in South East Asia are recognised in the preamble to the plan. More than 1.5m Indo-Chinese refugees, Lantians as well as Vietnamese, have been resettled mostly in the industrial countries, under the protrial countries, under the pro-gramme adopted in 1979 after the heat people had started their perilous voyages to free-

Since 1987 a surge in the flow of people leaving Vietnam has coincided with the application of more restrictive criteria for resettlement in the industrial countries, bringing about

Under the new plan, to which Vietnam has provision-ally subscribed, an expanded ally subscribed, an expanded information campaign inside Vietnam would discourage people from leaving clandestinely and the "orderly departure programme", which almost lapsed in 1967, would be revived. This in practice covers only emigres seeking reunion with their families abroad.

A screening system would be eperated under guidelines agreed with UNHCR in the countries of first asylum. Resettlement would be speeded up. UNHCR has asked 21 governments to accept 57,000 refugees who had reached the asylum countries before they started screening. The plan also outlines procedures for also outlines procedures for encouraging and implementing voluntary repatriation. The Hong Kong authorities, who want direct talks with Hanoi, are sceptical.

So far the Vietnamese Gov ernment has rejected the enforced return of its citizens - at least in public. Hong Kong officials believe Hanoi, desperate for foreign aid, would take them back, if it were "paid" in some way.

UNHCR says it could not be party to the return of refugees against their will Hong Kong officials say the UN agency would not refuse to monitor the conditions under which returned refugees would live and work in their homeland; a separate international organi-sation could be set up to under-take the actual repairiation.

The ever-increasing army, Page 22

Aid from Japan | No moral refuge over Indo-China exodus members convicted of terrorism TERREE white members of the African National Con-gress – two South Africans and a Briton – have been con-

victed on several charges of terrorism after pleading guilty in the Pretoria regional court yesterday, Jim Jones reports from Namibia.

from Namibia.

The three and an associate, who turned state witness, were arrested in May last year in Broederstroom to the west of Johannesburg.

At the time of their arrest Mr Adriaan Vlok, Minister of Law and Order, alleged that the police had uncovered one of the largest arms raches every

of the largest arms caches ever found in the country in addition to powerful radio equipment and a Sam seven missile.

The two South Africans, Mr Damian de Lange and Mr Ian-Robertson, were convicted on 11 charges while the Briton, Mrs Susan Donnely, was con-victed on 10.

victed on 10.

victed on 10.

They are due to appear againin court today for a plea to mitigate the sentences.

They face prison on charges including passing information on police and army installations to the ANC, detonating a bomb and destroying a bus carrying soldiers in the town of Benoni.

Polisario to free 200 prisoners

The Polisario Liberation Front, which has been fighting against Morocco for the independance of the former Span-ish colony of the Western-Sehara will release 200 Moroc-can prisoners next Saturday, Francis Ghiles reports.

This gesture of good will comes on the eve of the one week tour the United Nations Secretary General, Mr Javier Pérez de Cuéllar will pay to Morocco, Mauritania, Mali and Algeria for talks aimed at settling the 14-year-old conflict over the Western Sabara over the Western Sahara.

over the Western Sahara.

The Secretary General is also expected to meet the Poilsario leader. Mr Mohamed Abdel Aziz.

A second meeting between Polisario leaders and King Hassun of Morocco is also expected shortly, following the first ever meeting between the two sides, held last January in Marrakesh.

product, advancing last year to 0.32 per cent of Gross National Product (GNP) from 0.31 per The average among industri-Recruit report likely

up 23% and set

to pass US sum

THE Japanese Ministry of Finance yesterday admitted that 11 politicians involved in the Recruit affair remained under suspicion of having com-mitted criminal offences.

However, officials presenting their final report on the affair to the Diet (parliament) gave no hint that they intended to reopen the investigation into the shares scandal.

Two politicians were charged with taking bribes as a result of the inquiry into the affair, but there is wide public suspi-cion that other politicians were also guilty of wrongdoing. Altogether 13 politicians

received cut-price shares in Recruit Cosmos, an affiliate of Recruit, the company at the centre of the affair which distributed stock and money to influential people.

Ministry officials indicated allegations against 11 out of the 13 were dropped after pros-ecutors concluded that the sus-

criticised because a large element of it is given on a tied basis, thus providing guaran-teed export opportunities for

alised countries is about 0.35

Japanese aid has also been

been making efforts to reduce the tied portion in recent years, but has not yet compiled statistics on this aspect for 1988. "We have been making efforts to expand our grant pro-grammes," a senior ministry official said.

Early this year, Japanese aid officials estimated that the country had surpassed the US last year as a donor. Now they predict that Japan will become The proportion of Japan's aid that was disbursed through bilateral grants jumped 30.9 per cent to \$2.9bn while bilateral loans rose 16.1 per cent to \$3.5bm. Multilateral assistance totalled \$2.7bm, up 22.9 per

Japanese loans to international institutions for develop-ment totalled \$2.71bn in 1988,

to end investigations

By Stefan Wagstyl in Tokyo

pects did not have the authority to favour Recruit or did not use their authority in return for bribes. Under Japanese law it is insufficient to show that a poli-tician received financial

favours - it must also be shown that the person receiv-ing the bribe did something in Mr Yasuchika Negoro, direc-tor general of the ministry's criminal affairs bureau, told a committee of the Diet's lower house: "As reasons for the stock transfers were unclear

charges of bribery could not be Mr Negoro said the ministry would not publish a full report unless the Diet demanded one. This is unlikely given the ruling Liberal Democratic Party's involvement in the scandal. Mr Negoro said it was up to the Diet to determine who was politically and morally respon-sible for the affair.

N INTERNATIONAL forum will adopt a plan tomorrow for coping with the relentless exodus of refugees from Vietnam. Yet several of the countries most

several of the countries most concerned already consider it hopelessly inadequate.

Their attitude spotlights a moral dilemma at the heart of the two-day conference on Indo-Chinese refugees called by Mr Javier Perez de Cuellar, the United Nations Secretary-General, which opens in Geneva today.

Geneva today.

Authorities in Hong Kong and other coastal states, which have provided "first asylum" for Vietnamese boat people over the past 10 years, claim that most of those now arriving any net relities for five the past to the terminal for the control of t

ing are not political fugitives but people seeking a better life. Hong Kong introduced a Hong Kong introduced a screening system in June 1988.

The British colony is struggling to accommodate 42,000 Vietnamese on its overpopulated territory and a continuing influx that is averaging more than 500 a day. Its authorities believe the only way of deterring the flood is to send the "economic migrants" home by force. They have the tacit, if so far not the public, backing of the British Government.

ment.

What is more significant, perhaps, is that Hong Kong's desire to repatriate Vietnamese denied refugee status has been endorsed by Oxfam, the aid organisation.

The US, France and the UN High Commissioner for Befugees oppose mandatory repatriation. For the Americans, who have taken the largest share of

have taken the largest share of the more than Im people flee-ing Vietnam since 1975 and are the major donors of funds for refugee relief, it is unthinkable



Children in a Hong Kong refugee camp for boat people

to return by force to a commu-nist regime any of the boat people who have braved pirates, rammings and the per-

A draft "comprehensive plan of action", approved by 38 countries, including the UK, after a meeting in Kuala Lumpur, Malaysia, in March is due to be endorsed in Geneva this week. It accepts screening procedures to determine whether are this seekers are clicible for asylum seekers are eligible for refugee status and introduces for the first time the possibility of repatriation – for volun-

Hong Kong has been trying since last year to persuade Vietnamese to return home freely. So far only two plane-loads, totalling 143 people, have been flown to Hanoi under a programme agreed with the UNHCR, which has signed a memorandum of understanding with the Vietnamese Government over the treatment of returning fugi-At present some 3,000 Viet-

namese are living in appalling conditions on the parten island of Tai Ah Chau. An abandoned army air strip at Sekkong is being re-opened to house some 7,000 in tents flown in from the UK. So far only 10 per cent have been recognised as refu-

gees.
Growing resentment among the people of Hong Kong feeds on their awareness that the colony regularly repatriates illegal immigrants from China - an average of 58 a day were returned to the mainland in

Anxiety has also been heightened by the suppression of the students' movement in Peking which has revived fears a sharp increase in the number

signs that the Israeli initiative, based on elections in the occupied territories leading to a limited form of Palestinian self-rule, still held the possibility of progress.

Mr Moshe Arens, the Israeli foreign minister, said he was "convinced" that Egypt's President Hosni Mubarak was doing all he could to further the search for peace and had done so at the recent Area was to be a search for peace and had done to be a search for pe so at the recent Arab summit in Casablanca.

Mr Boutros Ghali's visit, coming so soon after Casablanca, was a clear signal that, in fact, the door remains open. He said the Israeli plan needed amendment and clarification, but had not reached an impasse. He described his visit

as very positive. A key difference remains Israel's refusal to acknowledge a role in the process for the PLO, something both Cairo and the local Palestinian leaders have repeatedly stressed.



Israeli Vice Premier Shimon Peres (left) embraces Boutros Ghali

Israel keeps peace plan alive

By Hugh Carnegy in Jerusalem

A TWO DAY visit to Israel by

Egyptian minister Boutros Boutros Ghali appeared last night to have left Israel's peace proposals for the occupied West Bank and Gaza Strip alive, if not much advanced. Mr Boutros Chali received a

predictable rejection from Prime Minister Yitzhak Shamir when he offered Egypt's ser-vices as a mediator between Israel and the Palestine Liberation Organisation.
However, there were other

هكذاصم الأصل

War-ravaged economy forces the pace of Angola's reform

Nicholas Woodsworth, recently in Luanda, examines the backdrop to a shake-up of political and social restructuring

Angolan receptionist at the night desk of uanda's Hotel Presidente, is ategorical Lumina to me evening out. "Almost everything is closed

low," she says, nostalgically isting the names of restauants and clubs that used to nake Luanda one of the live-ier cities in Africa. "There are o few night-spots left that you lave to book weeks in dvance. There's also the curew, everyone has to be home y midnight. And visitors can't ven get around the city these lays - there are no taxis in Juanda anymore. You're better aff staving in."

One glance from the doors of he hotel lobby is enough to ersuade guests that Doice is ight. At 9pm. the refuse-litered streets outside are dark nd deserted. Along the main horoughfare that skirts the ay on which Luanda is built, he only visible activity is an ccasional Soviet-built truck n military patrol.

But if visitors at the hotel hink Luanda by night is ntirely dull, they are misaken. On at least two or three uights a week, guests in rooms verlooking the city's port are rought bolt upright in bed by he sound of automatic gunfire

Down below, among the ranes and cargo containers tacked along the darkened ockside, they may see lumious tracer bullets flying. heir faint paths shed little ight on the reasons for the disurbance, however, and guests urn back to sleep mystified

The doubt with which visiors regard Angola, especially fter such an occurrence, is not exclusive but shared by country whose troubled hisory tinges even the simplest of vents with uncertainty.

This uncertainty has grown a the recent past. A short time .go Angola was a staunch efender of Socialist economic evelopment; now it is looking o the International Monetary und. Previously it found its reatest political support in he Eastern bloc; today it is xiporing ties with the West. A ear ago its government was owing a fight to the finish with Unita rebels; now it is onsidering accommodation. Ifter 15 years of war and devstation, Angola with much esitancy stands today at a rucial watershed in its devel-The shooting outside hotel

indows is not what many sus-

ect - a Unita attack - but

ne of the more desperate esponses to the nation's moriund economy. Although the ountry's busiest entrepot is vell guarded, fully 40 per cent f the goods arriving here each ear find their way out illeally through bribery, on the ob theft and armed robbery. While only a few Luandans of for night-time firefights, lmost everyone in the city has n esquema - Portuguese for fiddle" - that permits them o make up for the failures of he Marxist-oriented, state-run conomy. Affected since inde-

OLCE, the attractive increasingly worthless currency, most Luandans, from senior party officials down to factory workers, have little choice but to deal on a thriving black market that has supplanted the official economy as the main source of consumer goods.

Securing foreign goods which can then be sold at prices that accurately reflect the domestic demand for commodities is the daily preoccupation of this market. Stealing from the port is one method unacceptable to the government. But its own incapacities have forced it to turn a blind eye to the esquema of Luanda's 1.3m inhabitants.

These range from the black market sale of subsidised goods by state officials, to the setting up of trading stalls in one of the city's technically illegal open market places. The most convenient arrangement of all, however, is to have family ties or unofficial busine relations with Angolans working for foreign companies, embassies and aid agencies.

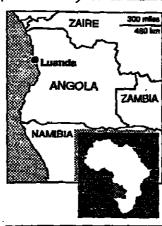
These fortunate employees

recieve the larger part of their salaries in imported commodides such as beer, which over the years has on the parallel market become a medium of exchange in its own right. The overvalued local kwanza has since 1975 been officially pegged at just under 30 to the dollar on the parallel market. However, where the kwanza is accepted at only one eightieth of its face value, a \$12 case of imported beer now sells for 30,000 kwanza - \$1,000 at official rates, or two months sal-ary for the average Angolan worker. While the absence of an import-fuelled black market in Angola's countryside has reduced rural economies to bare subsistence or, a system of straight barter, the develop-ment of two separate economies in the urban areas has led to ever greater anomalies. Scarce, locally produced

goods, generally unavailable on fixed-price, official markets, have adjusted to parallel mar-ket rates. Local tomatoes, to cite just one example, sell for 4,000 kwanza a kilo, \$50 at the official exchange.

Subsidised services provided through the official sector, on the other hand, have become ridiculously cheap. Proceeds from the sale of two cases of beer on the black market are enough to buy a ticket to Rio de Janeiro, while the profits from a packet of American cig-arettes will pay a month's rent on a three-bedroom apartment. Why have Angolans evolved techniques that bring such extraordinary distortions to their economy, and how can form of real growth in such conditions? Angola's ongoing civil war, its Portuguese colo-

ing economic orientation are all part of the answer. Angola is one of the most richly endowed countries in southern Africa. With just over 9m people, it is the continent's largest oil producer after Nigeria, has major diamond and mineral deposits and great-potential for agricultural exports. Yet throughout its



Cargo stacked along the dockside Luanda harbour fuels the black market. Although the country's busiest entrepôt is well guarded, 40 per cent of the goods arriving here each year find their way out illegally through bribery, on-the-job theft and armed robberv.

period virtually all develop-ment, with the exception of one vital sector — oil - has been prevented by armed conflict This has involved not only internal opposition to MPLA government rule by Jonas Savimbi's Unita forces. American military aid and invasion by South Africa – both in support of Unita – and the participa-tion of 50,000 Cuhan troops backing the MPLA have made Angola's war a regional con-flict with global implications. The damage to Angola's economy is incalculable. Over

80 per cent of the country's ter-ritory is insecure. More than 500,000 people have fled to the cities. Economic infrastructure and productive capacity, including power and manufac-turing plants, mines, roads, railways, farms and plantations have been destroyed. Government military expendiannually and accounts for more than 40 per cent of state revenue and 50 per cent of all imports.

Constraints induced by the war have led to losses of production, shortage of goods, depreciation of purchasing power, widening budget defi-cits and increasing balance of payments difficulties.

These problems have been further exacerbated by a continuing critical lack of managerial, administrative and technical expertise. Angola's colonial rulers did very little to prepare the country for independence in 1975; the exodus of 90 per cent of Portugal's 350,000 colonists included most of the country's businessmen, senior and mid-level senior servants, engineers, traders and com-mercial farmers.

As a consequence, production in manufacturing, mining agriculture and the diamond and coffee export trades all dropped by at least 70 per cent. The loss of expertise has yet to be made up for, and is a major factor in the decline of per cap-



ita GDP to less than \$400, well below colonial period levels in

Angola's present economic plight, however, cannot be attributed solely to war and a lack of managerial skills. Much blame must go to the choice of economic policies adopted by the Marxist-oriented MPLA government. The overwhelm-ing role played by the state has led to unwieldy centralised planning, a vast, loss-making parastatal sector and pricing policies that sudsidise con sumption but fail to provide incentives to production.

By 1986 bugetary expenditure, financed in part by exter-

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modular and communicate through well-defined standard

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time to support new functions and supply the matching increase

in processing capacity. Subsystems and modules

evolve independently to bend from technological progress view of increasing capacity at

decreasing volume. On average

nai loans, exceeded revenues by 25 per cent. Following the steep fall in oil prices that year, Angola's revenues declined and the deficit became much larger. At the year's end the country's external debt stood at \$3hn and totalled 70 per cent of GDP.

The 1986 oil crisis forced the government to recognise the need for new attitudes and policies. Ineligible for IMF or World Bank support because it had never applied for membership, it first adopted an austerity programme aimed at kupting imports and goverment ding. In 1987, it announced with much fanfare its home-

Subsystems and modules can

evelve independently to benefit

from technological progress in

view of increasing capacity and decreasing volume. On average,

the processing capacity of our system's modules doubles every

4 to 5 years while their volume

remains compatible with the

existing library of applications software which already totals more than 5 million instructions.

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ments made to adapt switches

to national specifications of

Throughout its evolution, it

grown "Programa de Saneaero" - a plan for economic recovery closely modeled on classical IMP-inspired African structural adjustment programmes.
SEF, as it is commonly

known, has cited among its objectives economic decentral-isation, the liberalisation of price controls, an increased role for the private sector, greater autonomy for parastatals, a shift in agricultural policy from co-operative to peasant farming and devaluation and money supply control.

In the streets of Luanda and on remote peasant land-hold-

ings, however, the hard-pressed Angolan population is still awaiting the first winds of economic change. Although now approaching the end of its second year, SEF has so far failed to take significant action to implement its programme. Supporters of the pro-gramme say it has gone ahead more slowly than hoped, but

emphasise the enormous legal and institutional transformations that are prerequisites to building a free market. They point to the six laws passed last July opening the

way to greater parastatal autonomy, decentralised plan-ning, trade privatisation and foreign investment. They remind critics of the announcement made this March of a par-tial deregulation of prices, and of the government's confirma-tion in early April that it was shortly to devalue the kwanza. in two stages, to 25 per cent of its present value.

Many observers, however, remain sceptical of the govern-ment's ability to act on its decisions. The administration, they say, is simply not up to the task. The most competent and qualified personnel in government have been recruited into the SEF Secretariat, leaving expertise in ministries and pro-

more the

ments

vincial capitals practically

State authorities remain unsure of the political and social consequences of the price increases and large-scale parastatal redundancies that would accompany far-reaching adjustment. Consequently there is much foot-dragging There are also indications that hard-line MPLA members are resisting change, not only for ideological reasons, but because it would affect power and priviliges.

The greatest obstacle to eco-nomic development, however, remains the war. Although under the terms of the Ameri can-sponsored agreement reached by Angola, Cuba, and South Africa last December direct foreign involvement in the civil war will end, Unita remains a viable fighting force supported by the US. Its continued ability to disrupt economic activity is a major inhi-bition to the investment, public or private, domestic or foreign, on which development

There are signs of some rapprochment. Despite govern-ment avowals never to negotiate with Jonas Savimbi, high-level MPLA-Unita talks have been taking place under the initiative of a government amnesty offer to rebel troops. These have given hopes to dip-lomats in Luanda that the MPLA, locked in an unwinna-ble war, will swallow its pride and move towards reconciliation by the end of the year. This and Angola's entry into

the IMF, likely to take place in September, offer the country some hope for the future. But given its present devastation and the many obstacles, at least some of them self-imposed, facing structural reform, economic development in Angola can only be a long slow and difficult process.

Namibians celebrate as exiles return home

A DESERT AIRPORT rang to the sound of freedom songs yesterday as men, women and children danced across the tarmac to celebrate their homecoming to Namibia after years in political exile. Reuter reports from Windhoek.

In the first flight of a United Nations-organised ziriift intended to bring home 41,000 people in six weeks, a Zambia Airlines DC-10 from Lusalia deposited 150 returnees at the airport serving the capital

The airlift is part of a UN independence plan for the vast desert territory which has been ruled by South Africa since World War One.

About 200 people, mostly supporters of the South West Africa People's Organisation

(Swapo) which fought a guer-rilla war for more than 20 years, sang and chanted as the so-called returnees filed on to buses after registering with the office of the United Nations High Commissioner for Refugees (UNHCR).

The refugees were then fer-ried to a UN transit camp on the outskirts of Windhoek where they will stay for a week before going to their home villages and settlements. "The returnees are happy to be home. They are fit and well," said Mr Nicholas Bwakira, chief of the UNHCR in Namibia.

Mr P.W. Botha, South African President, agreed last week to grant full amnesty to the returning exiles, removing a major hurdle in the transition to independence.
Airlifts of more refugees

back to Namibia will take place for the next six weeks at Windhoek and at the northern garrison towns of Grootfontein and Ondangwa. It has an open architecture

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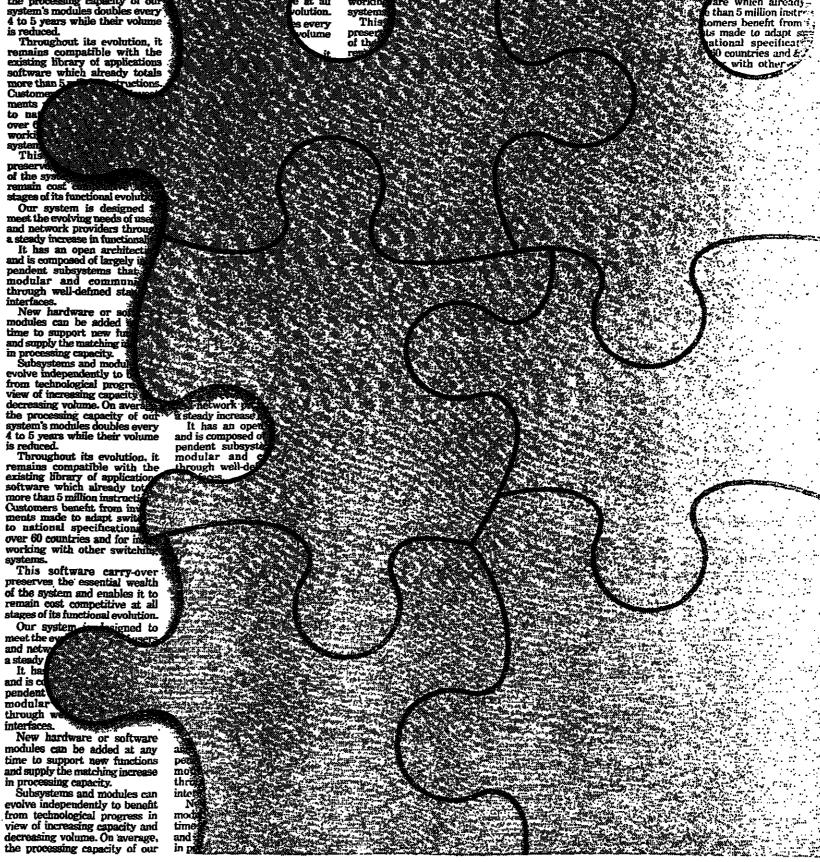
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The secret is service.



tant local political bodies, seem determined to channel anxi-eties about Brussels' energy

politics against the Govern-ment in Bonn. As one official

admitted, they do not want to

stir up latent anti-European

feeling among the voters.

It is Bonn, the argument runs, that has failed to come up with a proper national energy plan that could protect jobs and the environment and

West Germany's strategically vital coal reserves. Local SPD politicians even suggest that the Government will allow

cheap French nuclear power

Technically, such a decision is up to the private German utilities, one of which already boys some French power, but for the French to break into the German market the political control of the control

the German market the politi-cians would have to agree.

cians would have to agree.

If the SPD wins next year's national election, such a deal will be off the agenda and a much tougher fight with the energy liberals in Brussels is predicted. And if the SPD's hopes of polling over 40 per cent in the Euro-election (against 37 per cent in 1934)

(against 37 per cent in 1984) come true, such a victory in

onto the German grid.

HE European Community's outline plans to ket in energy is one of the very few EC issues which funda-men itally divides the two main part ies in West Germany. The Clm istian Democrats (CDU) are, with some qualifications, for it; the Social Democrats

(SPD) are vehemently opposed. Decipite this, the issue has not p layed much of a role in the to vo parties' campaigning, which, as in most other member states, has been fought on the us ual domestic issues.

But if the SPD believes its own pr opaganda about the proposed common market in energy, it will be a classic case of contlict between the free market and environmental pro-tection and should thus be at

the heart of its campaign.
According to Mr Reimut
Jochims in, the SPD Economics Minister in North Rhine West-phalia (NRW), the EC's proposals will at a stroke undo all progress made in protecting the environment in Europe

over the past 10 years.

The de-caupling of economic growth and energy consump-tion, already partly under-mined by cheaper oil, will be torpedoed by the Commission's narrow-minded insistence on providing industry with the cheapest possible energy, the NRW government believes. What has the Commission

actually proposed? Earlier this year a report was produced recommending that energy subsidies should be cut, and eventually eliminated, across the EC. Then in March the Commission said it would under French pressure investigate Germany's substan-tial aid to its coal industry to see if it was compatible with EC competition rules, and examine whether EC electricity and gas distributors should be obliged to open their grids to all suppliers under a US-style "common carrier" policy. The SPD believes the Commission is backed by at least part of the West German gov-

ernment in wanting to phase out coal subsidies, and cites the government's refusal to lodge a formal objection to the EC investigation. The SPD may well be right.
Although Mr Helmut Kohl makes occasional shows of soli-darity with the mining areas,

probably only try to slow down a subsidy reduction. The official line from the government is that German coal can be bet-ter defended by bargaining with the Commission than by fighting it.

Germany now spends about DM10bn a year compensating the utilities and steel producers for the extra cost of buying German coal. The utilities claim back the difference between German coal and cheap imported energy by levy-ing an extra 8.5 per cent on electricity bills – the so-called Kohlepfennig.

P hasing out the Kohlep-fennig would be popular with industry, which claims its energy bill is on average 30 per cent higher than French industry's, but unless the Kohlepfennig was replaced with some other form of subsidy it would also mean phasing out most of Germany's

town north of Essen in the Ruhr, they have already lost more than 50,000 mining jobs since 1960 and Mr Jurgen Linde, the town's chief execu-

its way 5,000 more will go immediately, with the rest not far behind.

far behind.

There are four pits left in the area, still providing 30,000 of the 120,000 local jobs. But the town - twinned with Newcastle - has not been able to bring in new jobs fast enough and the total population has fallen from 400,000 in 1960 to 285 000 today.

285,000 today.

Mr Linde, a former SPD

Euro-MP, accepts that subsidies cannot remain forever but wants an EC support system similar to the steel industry to help smooth the transition.

Meanwhile he hopes that his town's central position within the EC will make it an attractive centre for transport con-cerns, and - taking the other side of the protectionist argument - he supports domestic transport liberalisation to boost the competitiveness of the German transport indus-try. There is also the hope of

try. There is also the hope or attracting new businesses from Japan, Korea, and Norway. But that is probably not the reason why the Euro-election campaign in the area seems remarkably free of anti-EC sen-timent. The SPD and the min-

Profile: Belgium

Delicate balance in home of the identikit European

By Tim Dickson in Brussels

MRS Thatcher's "identikit European" may be alive and well – and living in Belgium.

Try as one might in the present election campaign it is virtually impossible to find significant differences between the main Belgian political parties on European Community issues. They are all for closer EC integration — not surprising perhaps in a small country with traditionally weak Government and they are all

with traditionally weak Government — and they are all naturally enough behind the growing campaign to make Brussels the undisputed seat of the European Parliament.

If the saloon bar British Tory of Thatcherite bent is missing from the local political scene, however, next Sunday's European poll is seen here as providing the same sort of opportunity as in the UK to pass judgment on the performance of the national government. of the national government.

Mr Wilfried Martens' eighth

coalition has not been in office for 10 years - but commenta-tors reckon that to have survived 12 months (a landmark it vived 12 months (a landmark it reached in May) is a considerable achievement given the instability and uncertainty which preceded its formation.

Much to everyone's surprise and relief there have been no major crises in the last year as Mr Martens and his skilled lieutenant Mr Jean-Luc Dehaene have successfully and energetically piloted through the first two stages of the programme of constitutional reform.

For the moment at least

devolving power to the regions has eased tensions in the notorious Voeren/Fourons com-mune and in other areas around Brussels which had become flashpoints for Bel-gium's deep-rooted linguistic

There also appears to be a broad consensus on economic policy, thanks largely to the favourable European economic environment which contributed to last year's 3.9 per cent jump in GNP (the best result since 1976) and which belied inspire the current private sec-tor investment boom. The political balance is

always precarious in Belgium, however, and the significance of the European poll is that

EUROPEAN ELECTIONS

any sharp swing in voting could open up new divisions among the five centre-left parties in the government. Next mouth's negotiations on the 1990 budget are in any case expected to be tough and will test the strength of the Social-ist parties' commitment to keep up the pressure on public

The party least at ease within the government seems to be the Flemish Nationalist party, or Volksunie, which was brought in originally to secure the necessary two thirds majority in Parliament for the con-stitutional reforms. The Volk-sunia did peorly in last September's local elections and some feel its participation in the government has lost it support to the more extreme Vlaams Blok

The significance of the European poll is that any sbarp swing in voting could open up new divisions among the five centre-left parties in the Government

The party's top brass says it has every intention of rescalaing on board - important if the final stage of the reforms, including the clearer defining of regional and national com-petences, is to be completed — but it nevertheless appears to be resigned at European level to losing one of its two seats in Flanders, one of two multi-member constituencies in Bel-

More than 200 candidates have been nominated for the 24 Belgian seats and thanks to the Reigian seats and manus of the linguistic splits no fewer than 17 different party lists have been submitted. Voters in Brussels can opt to vote in either constituency and at the same time will be choosing the first elected council for the Brussels region, which will

have 75 members.

No major changes are expec-ted — the Flemish-speaking Liberals may pick up an extra seat with former EC Commis-sioner Mr Willy De Clercy at the head of their list, the ublqnitons green parties are expec-ted to enhance their position, particularly in Flanders; while

of the main government par-ties the feeling is that the newly united Socialists may benefit at the expense of the Christian Democratic parties. Mr Jose Happart, the franco-phone ex-mayor of the Fources most widely identified with Belgium's perennial language squabbles, has been rewarded for his more compromising behaviour earlier this year with a prominent position on

with a prominent position on the French-speaking Socialist Party (PS) list — a virtual guarantee of his re-election to the Strashourg assembly. This has not, however, pre-vented him engaging in some diversionary and publicity-seeking antics in recent weeks, notably over the controversial siting of a polling station outsiting of a polling station outside his private front door.

Another key personality in the campaign is Mr Leo Tindemans, Belgium's Foreign Minister and head of the Flemish

speaking Christian Democrat list, who is expected to step down from his post in the goverament to pursue his parliamentary ambitions. He is still extremely popular in his native Flanders — where he grabbed an extraordinary 35 to 40 per cent of the vote in the 1979 parliamentary elections - but his campaign to win the presi-dency of the Parliament is not given much chance of success. Some MEPs, for example, may not forgive him for refusing to appear before a Strasbourg committee of inquiry into the handling and transport of nuclear material.

he knows they produce few votes for his party and he will 'Genscherite' who stresses East-West ties

By David Marsh in Bonn

HOLDING aloft the European election banner of West Germany's liberal Free Democratic Party is a benign and wellconnected 65-year-old who says he wants to make Europe a more pleasant place for his grandchildren.

Mr Ruediger von Wechmar, who until the end of last year was the Federal Republic's ambassador to London, has stamina and a puckish humour. He has logged 22,000km by car on election trips around West Germany over the past two-and-a-half months. As ever, however, the Germans liberals are fighting to win the 5 per cent of votes necessary to gain parliamentary representation. For more than 40 years, Mr von Wechmar has been journalist, Bonn information official and diplomat. He was Bonn's envoy at the United Nations and in Italy. Now he is embarking on a new political career at a time when the Federal Republic is conspicuously increasing its political weight in both eastern and western Europe. He claims not to be interested in retirement. "I didn't really think I would be the type for getting up and simply going to fetch the newspapers and the rolls for the day," he says.

Mr von Wechmar, a FDP member for 18 years, is an unabashed supporter of the East-West policies of Mr Hans-Die-trich Genscher, the FDP Foreign Minister. The Free Democrats' TV advertisements for the European poll are built around Mr Genscher's prominent features. This alone seems sufficient as an

election slogan.
"I am a Genscherite," says Mr von
Wechmar. "It is a sign of quality.
Genscher is the man not only with the ears but also with the nose. He is always five years ahead of everyone else. He is a great tactician — but also a great strategist. He sees opportunities in what is going on in eastern Europe." At his European election meetings, Mr von Wechmar says two main themes stand out. One is the planned post-1992 internal market. The other is the chance for East-West changes to improve the ground for reunification between East and West Germany. Mr von Wechmar tells rallies that self-de-termination for people in Communist Europe – including East Germany – is becoming more feasible. "Europe does not end at the Elbe. There are millions of people who want to take part in

On the 1992 moves, he berates the Bonn government for not doing enough to inform West Germans about the opportunities and benefits. Even though British premier Mrs Margaret Thatcher's vision of Europe is not the same as the Germans', the exambassa-dor says he admires the UK publicity campaign to inform people about 1992. He wishes his country would take simu-

lar dynamic action. The German far-right is picking up support by complaining that West Ger-many is paying too much into the EC many is paying too much into the EC and is being swamped by multi-nationalism in exchange. "I can't understand why the federal press office doesn't do more. When you have a problem, you should inform people." He confesses he is "a bit worried" about the potential size of the radical vote — on both right and left — on June 18.

Mr won Wechmar has not lived in

Mr von Wechmar has not lived in West Germany since 1974. He says he is surprised by the change. "I came back to find a totally different republic – not to the one I had left, but compared with what I was told was here. Abroad, everyone says what a marvellous coun-

try we have become - 40 years of democracy, the D.Mark, clean streets, the trains run on time. Instead, I have found all this tearfulness, melancholy self-criticism. There is a convergence of different streams. Germany has a feeling of having grown up. But there is also a lot of self-pity."

When he said his ambassadorial goodbyes to Mrs Thatcher in London, the Prime Minister governessed surrises

the Prime Minister expressed surprise that he was going to join the "socialist". European perliament. Reflecting on the dispute between London and Bonn over short-range nuclear missiles, Mr you

short-range nuclear missiles, Mr von Wechmar says impishly: "I sympathise with my successer. I am sure he has a hard time, both with the Prime Minister and with the general public."

Mr von Wechmar reflects that West Germany faces a challenge in finding the right international role. The country believes more these days that it has to "put its foot down". But, he says, "it is a question of how loud and how big a is a question of how loud and how big a foot you put down". Under Mr von Wechmar, German liberals in Stras-bourg – provided they surmount the 5 per cent hurdle – will be putting their foot down with decorum.

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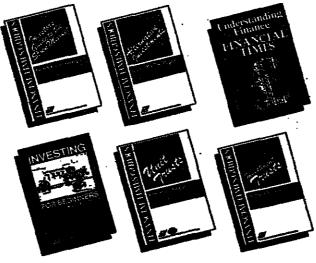
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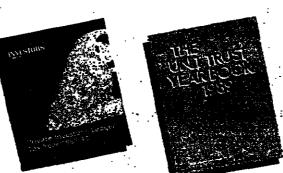


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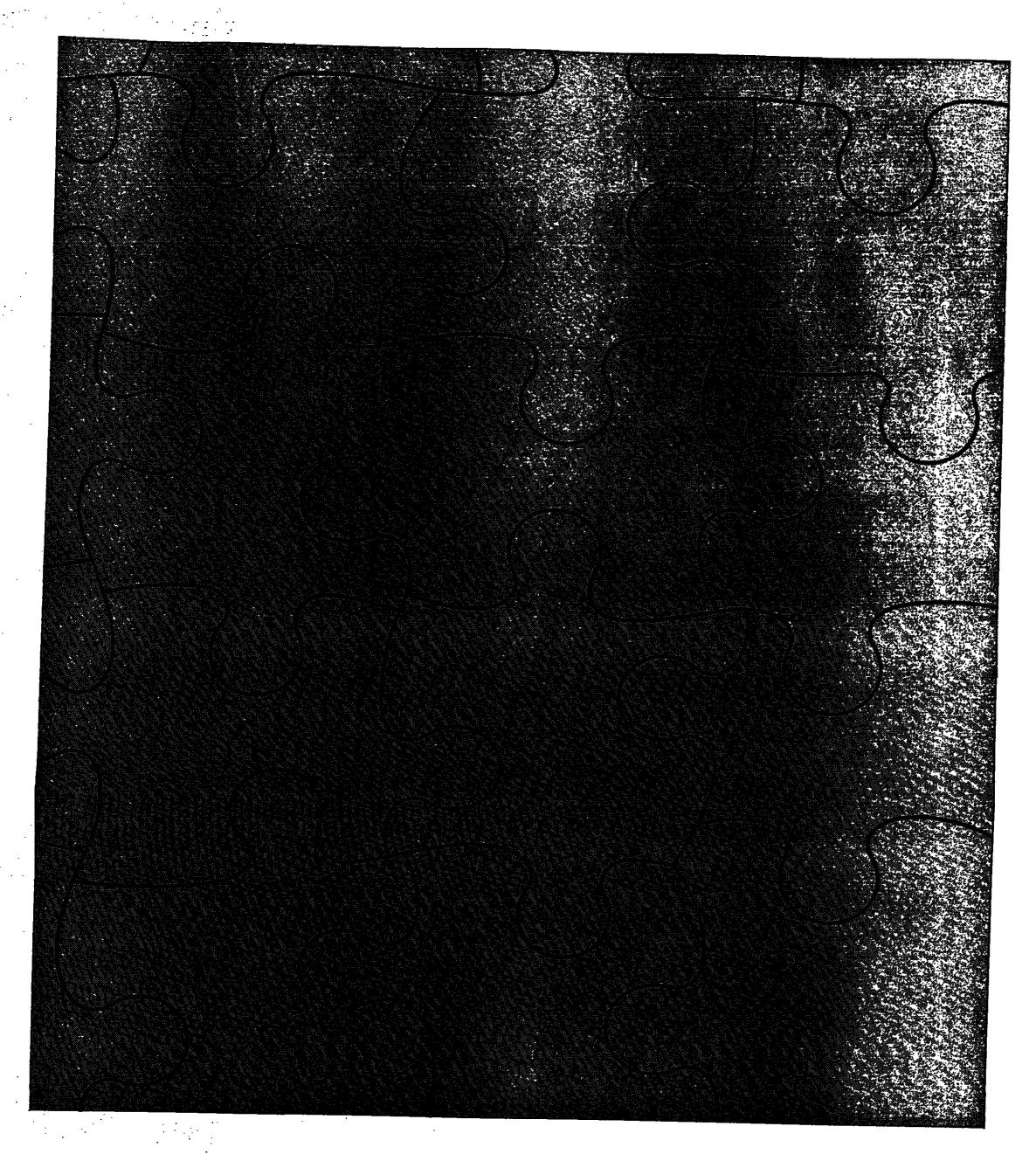
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AMERICAN NEWS

Bush proposals tackle clean-air law deadlock

polluting plants.

The emphasis throughout is on laying down objectives but permitting industry and utili-

ties to find their own ways to fulfil them. Mr Bush stressed

the need to harness the power

of the marketplace. Following a vigorous debate within the

president's council of economic

among themselves for reduc-

tions they make to allow them to decide how to bring aggre-

gate emissions down as cost effectively as possible.

By Peter Riddell, US Editor, in Washington

PROPOSALS aimed to break the decade-long political stale-mate in the US over clean air legislation were announced yesterday by President George

Having unveiled his wideranging plan to leading Congressmen, state governors and industrialists in the White House, Mr Bush started a two-day tour of speeches and visits in Wyoming and Nebraska, aimed to highlight his concern with environmen-

The proposals are intended to cut acid rain pollutants produced by power stations, and to prevent smog which frequently hits major cities in the US by curbing emissions and requiring the sale of cars burn-

Mr Bush's announcement was generally welcomed by politicians of both parties and by prominent environmentalts, especially in view of the low priority given to this subject by President Reagan.

The president had made a point of discussing it with Mr

Brian Mulroney, Canada's Prime Minister. Acid rain has been a big controversy in US-Canadian relations.

The president's plan will

now go to the Democrat-con-trolled Congress, which is con-

Jamaican

credit deal

in Kingston THE International Monetary

By Canute James

end in September.

sidering environmental mea-sures of its own. Legislation is expected this year or early Mr William Reilly, head of the Environmental Protection Agency, estimated the total cost of the package at \$14bn to \$19bn, when fully implemented in the early part of the next century. Electricity bills will rise by more than 2 per cent for consumers of the 107 most

Within the context of other

All categories of airborne toxic chemicals are to be cut by three-quarters within the next decade.

IMF extends | Right winger launches bid for Chile presidency By Barbara Durr in Santiago

MR SERGIO Jarpa, president of the moderate right-wing National Renovation Party, launched his bid for Chile's presidency at the weekend. He had refrained from

Fund has agreed to extend the life of a current stand-by credit package for Jamaica six months beyond its scheduled becoming a candidate in the December poll while Mr Her-nan Buechi, former Finance Mr Seymour Mullings, Jamaica's Finance Minister, Minister, was a possible con-tender. After Mr Buechi said the economic performance targets agreed with the Fund for the quarters ending Decemrefused last month to stand Mr Jarpa – a 68-year-old traditional conservative - was the

ber and March had not been met because of damage done by a hurricane last September. right's next logical choice. Emphasising what is expected to be the theme of his cam-Jamaica's drawdowns under the \$118m package were suspended in March, but gov-ernment officials have said paign, Mr Jarpa told a meeting that the biggest challenge of the next government will be to maintain Chile's economic growth. He also said his prime the island will have access to commitment would be to

on Congress to require motor manufacturers to phase in cars that use alternative fuels such as methanol, with a goal of 500,000 such vehicles being sold in the most polluted urban areas by 1995, and Im after 1997. This compares with 12m cars and trucks sold annually

The president has also called

Unlike petrol, methanol does not produce hydrocarbons and nitrogen oxides that cause smog problems. Mr Reilly said that this plan would bring most US states within federal air quality standards by 1995 and all but the most severe problem areas – such as Los Angeles, Houston and New York – within the guidelines by the early years of the next century.

administration, this approach reflects the views of Mr Mich-ael Boskin, chairman of the measures to cut emissions from cars, fuels, factories and other sources, the Government will apply rules like those being proposed for acid rain so as to allow motor and oil companies to trade required reductions to trade required reductions. The proposal to cut sulphur dioxide emissions by 10m tons, or almost a half, by the year 2000 is intended to ensure that "the degradation caused by acid rain will stop by the end of this century." Utilities are being allowed to trade credits tions to meet the overall stan-dard in the most cost-effective

resolve Chile's social problems.

President Augusto Pinochet
last week publicly endorsed Mr
Jarpa as "a very capable man
who would be a good president", and "as a man of our
side".

The Union of Democratic Independents, the pro-Pinochet party, is reluctant to back Mr Jarpa.

Among the opposition, the long-awaited entry of Mr Patricio Aylwin, the president of the Christian Democratic party, edged closer. His main rival, Mr Enrique Silva Cinma, leader of the Radical Party leader of the Radical Party, withdrew and cast his support to Mr Aylwin. The opposition, widely expected to win, has pledged to back one candidate.

Talks on handover to Menem near result

By Gary Mead in Buenos Aires

ARGENTINA'S president-elect Mr Carlos Menem, of the oppo-sition Peronist Party, may soon take office, if a series of meetings this week resolve several outstanding issues to the satisfaction of him and President Raul Alfonsin.

Mr Menem is not due to be installed as the country's 46th president until December 10. However, the urgent economic crisis, the weakness of the Alfansin Government, and the existence of a Peronist shadow cabinet have combined to raise the issue of an early handover. Members of the Government

and Mr Menem's team are to meet throughout this week to discuss legal and constitu-tional ways to arrange the

early transfer of power. The date may be announced at the end of this week; the first half of August or even late July seem most likely. At the weekend, Mr Menem

again raised the issue of his early takeover. Sponking on Brazilian television, he said that people were losing their patience and accused "radical government functionaries. through their large, shady deals and their implitude," of having brought about the economic crisis. Inflation for June will be at least 100 per cent, with no immediate sign of its abating in July.

But there are both constitu-tional and political obstacles to a swift transition. The con-

stitution makes no provision for a president to resign. The present order of succession requires a president to be succeeded by first, the vice-presi-dent and then, if necessary, the leader of the Senate (who happens to be Mr Eduardo Menem, brother of the president elect).

The two sides will be trying to find a formula to close Mr Alfonsin's term without his having to face the difficult prospect of a fudged resignation six months before he is due to go. Suspicion is growing that the formula will include a

mutual agreement that one pre-election promise of the Peronists - to investigate alleged financial mismanagement in the outgoing Radical

silently dropped.
Stephen Fidler, Euromarkets
Correspondent, reports from
Basle: Argentina has cleared its arrears with the interna-tional Monetary Fund, follow-ing the disbursement of a loan from three Latin American

Monetary officials in Basie Monetary officials in Hasie for the annual meeting of the Bank for International Settlement said some \$180m of arrears to the fund, which began to emerge in April, had been cleared. This brings it up to date, according to officials. The bridging loan from Mexico, Venezuela and Brazil

amounted to \$125m, while Argentina has financed part of the rest, according to the officials, through the sale of the Argentine embassy in Tokyo.

The decision to clear the IMF arrears followed consultations between the economic teams of outgoing President Alfonsin, and President elect.

Meners. It will be viewed as a den that the new administration intends a co-operative approach to the IMF.
An IMF mission is expected
in Buenos Aires towards the
end of the month to examine

Argentina's distressed econ-ony. The country has arrests totalling some \$3bn to most of its long and medium-term

Lady of the lake gets a facelift

Veronica Baruffati reports on grand plans for Peru's old steamer

NE OF the last rivetted iron-hulled ships still afloat today is awaiting renovation 12,500 feet above sea level in the chilly blue waters of Lake Titicaca, birthplace of Viracocha, the creator

god of the Incas.
The Yavari, named after the tributary of the Amazon which forms the border between Peru and Brazil, is a 240-fonne steam and blazil, is a 240-ionie steam yacht constructed in 1862 in Birkenhead, north-west England, by Laird Bros Ltd, forerunner of Cammell-Laird shipbuilders, to the order of Peruvian President Ramon Castillo.

Laird were instructed to build two steamers for use on the world's highest navigable lake and that no piece be heav-ier than could be carried by a

The 2,766 pieces which made up the Yavari were shipped to the Peruvian port of Arica (which became Chilean after the war of the Pacific in 1883) whence the disassembled ship was transported by rail 30 miles across the desert to Tacna It was here that the real Tacna. It was here that the real odyssey began.
A volunteer was contracted

to transport all the pieces - in-cluding anchors and propeller shafts - by mule up the Andes, over passes and into the Altiplano where Puno lies on the marshy shores of Titi-caca, dwarfed by the surround-

in 1894, and then, in 1914, the llama power system was replaced by a Bollinder, four-cylinder, hot valve, semi-diesel ing majestic wall of the Cordillera Blanca, some of whose peaks surpass 20,000 feet.

With characteristic Peruvian optimism, the volunteer calculated it would take him and his

Ownership of the Yavari changed hands several times - from the government to the mule six months to transport all the pieces to Puno. In fact, it took six years of arduous efforts to move the pieces 186

Characteristic Peruvian optimism ensured the arrival, albeit later than planned, of all 2,766 pieces which made up the Yavari. A volunteer took it by mule

miles, as the condor flies, to the small jetty in Puno where the ship was finally reassem-bled on Christmas Day 1870. The purpose of the ship was to skirt the shores of the lake

to sairt the shores of the lake carrying passengers and sup-plies to remote outposts and to collect local goods and produce with which to trade with for-eign vessels which dropped anchor in Lima's bustling port

However, the volume of dried liama dung required to fuel the ship at that altitude left little space for any other cargo. This led to the ship's hull being extended by 50 feet

state railway system, to the Peruvian navy for use as an

up the Andes, over passes and towards Titicaca's Lake marshy shores. He was confident the job would take six months. In fact, it took six years.

officer's mess for the navy coast guard on Lake Tricaca, until it was bought by the Yavari project, run by British historian Meriel Larken, in Lloyds' condition survey examined the ship in 1985 and reported her as being in ser-viceable condition. Due to the

high altitude, there has been minimal oxidation and the rivetted fron hull of the Victorian vessel has withstood the test of time superbly. Earlier this year the British Council and the Manifold Trast

sponsored the trip to Peru of Tim Pair, a consultant naval

Trust, who was involved in the refurbishing of "The Discovery," now docked in Dundee. After a few breathtaking days in the Lake Titicaca Altiplano alongside the Yavari, Mr plano alongside the Yavari, Mr Parr descended to the oxygen. filled air of Lima where he exclaimed: "I would never have imagined the Yavari to have been in such excellent shape.

The project is expected to cost \$220,000. Plans include the restoration of the Bollinder engine as a working model, a modern diesel to be installed, sleeping space for 30, a video room and excellent cooking

The renovation work to be carried out by Sima, the Peruvian naval dockyard with financing from Concytec, the state technical and scientific council. The aim of the project to the column and renovate the is to salvage and renovate the Yavari for the promotion of tourism in an otherwise depressed area. The Yavari will be the first ship to carry passengers to and from Bolivia fly ing the Peruvian flag on Lake Titicaca. The ship will also be available for charter to groups of specialists, for example ornithologists and anthropologists who want to combine a study win want to commine a stray trip with the unique pleasurs of a voyage on the world's highest navigable lake in an unusual maritime historic set.

Ex-security chief sought for murder

By Richard Johns in Mexico City A FORMER Federal Security chief, Mr Jose Antonio Zorrilla Perez, has been named in Mexico City as the man Iscing charges for the murder just over four years ago of Mr Mannel Buendia Tellezgiron, an investigative journalist for the

newspaper Excelsior. The announcement on Sunday night by the office of the Federal District Attorney followed the promise by President Carlos Salinas de Gortari last

Carlos Salinas de Gortari last Wednesday to take swift action to resolve the munder of the columnist, who was shot in the back by an unidentified young man in Mexico City in 1885.

Addressing a "Freedom of the Press" meeting where the faste of 34 journalists murdered in the last decade was raised Mr Salinas pledged: "We will not close the file on any of these on-going investigations. these on-going investigations. In fact, we will redouble our

A warrant for the arrest of Mr Zorrilla is now being sought.
"It is our conclusion that the

person responsible is Jose Antonio Zorrilla Perez who acted as the mastermind behind the murder," the prose-cating attorney announced.

A number of other persons are implicated in the killing,

WORLD TRADE NEWS

US COMPANY SIGNS LONG-TERM DEAL WITH AEROSPATIALE

Lockheed sets new sights on Europe

LOCKHEED of the US yesterday signed a long-term cooperation agreement with Aerospatiale, the French state owned aerospace group, in an apparent effort to strengthen its access to the European mar-

ket before 1993. The agreement, signed at the Paris Air Show, comes barely a week after Lockheed was dropped by a group of Euro-pean aerospace companies, including Aerospatiale, British Aerospace, MBB of West Germany and Casa of Spain, to study a new military transport aircraft to eventually replace the Transall and Hercules

But Mr Daniel Tellep, Lock-heed's chairman, sald the US group still hoped to be able to cooperate in the new pro-gramme known as Euroflag (European Future Large Air-craft Group) which is replacing the previous Fima (Future International Military Aircraft) partnership which directly included Lockheed. Yesterday's memorandum of

understanding is designed to establish a long-term working

TWO OF the world's major

helicopter manufacturers, Westland of the UK and McDonnell Douglas Helicopter of the US, have joined forces to bid for an order worth around

£1bn for light attack and anti-tank helicopters for the British

The two companies yesterday signed a memorandum of understanding at the Paris Air show providing for them to

share work on the develop-

The British army has been

mid to late 1990s. Both the

By Michael Donne, Aerospace Correspondent

range of potential cooperation opportunities open to all divi-sions of the two aerospace groups. Aerospatiale and Lock-heed also signed a separate agreement to explore coopera-tion in space activities.

But Lockheed said its agreement with Aerospatiale was not exclusive and that it had already established similar pacts with other companies in the US. Lockheed, like other US aerospace groups, now appears to be keen to forge selective relationships with European companies as a way of establishing a stronger foothold in Europe before the sin-gle European market of 1993. Mr Henri Martre, Aerospa-tiale's chairman, said the agreement reflected the French

group's international coopera-tion policy. But some aero-space analysts at the Paris air show commented on the vague-ness of the Lockheed-Aerospatiale agreement and questioned whether it would prove to have

Indeed, the practical difficul-ties of cooperation were under-lined when both Mr Martre and Mr Tellep confirmed yesterday

that negotiations between Lockheed and the European Airbus consortium had been abandoned. Airbus had discussed subcontracting some production to Lockheed but the terms proposed by the US group appear to have been too expensive for the European

Referring to the aborted Airbus negotiations, Mr Tellep said "the opportunity passed us by". Lockheed was focusing its attention on US domestic manufacturers like Boeing and McDonnell Douglas in need of additional production capacity as well as Fokker for its F100 programme, he said.

Matra, the French privatised

defence and electronics group, also announced yesterday at the Paris air show an agree-ment with McDonnell Douglas to establish a business relationship to market Matra air missile systems in the US. Matra also agreed with the US group's McDonnell Aircraft division to offer the option of Matra weapons on the McDonnell Douglas F-18 fighter. Mr Jean-Luc Lagardere,

Matra's chairman, said he was

continuing negotiations to forge closer cross shareholding links between Matra and GEC-Marconi of the UK and Daimler Benz in West Germany. He claimed there was no conflict between his current talks with GEC, which owns a 5 per cent stake in Matra, and the French group's agreements in the satellite sector with British Aero-However, Matra, which

clinched last week a major Saudi Arabian order for its Mistral surface-to-air missile appears to have intensified efforts to establish closer links with GEC-Marconi and Daimler Benz in response to the negoti-ations between British Aerospace and the French Thomson CSF state-controlled group in

The British Aerospace-Thom-son talks have also been watched very closely by Asrospatiale, which has voiced its opposition to any eventual British Aerospace-Thomson agreement leading to direct competition on key missile pro-grammes between the two French state- controlled

Japan hints at reform of distribution system

By lan Rodger in Tokyo

JAPAN has signalled its JAPAN has signalled its willingness to reform its distribution system, as senior US and Japanese trade officials gather for two days of talks at a seaside resort near Tokyo. Mr Hiroshi Mitsuzuka, the Japanese Foreign Minister, said in the Diet (Parliament) that Japan was ready to discuss its distribution with the US and European governments.

The US administration cited the distribution system as one of the structural trade barriers of the structural trade bartiers it would like to discuss with Japanese officials when it decided to pursue three Japanese industries for unfair trading under section 301 of the 1888 Trade Act. Some European officials have also complained about the difficulty of getting imported goods into Japanese distribution channels.

Mr Mitsuzuka said the distribution system was a domes-tic matter, but Japan should be willing to exchange views with trading partners. His remarks followed two

government-sponsored reports published at the weekend pro-moting distribution reforms. • A report submitted by a panel of distribution experts

to the Ministry of Interna-tional Trade and Industry (Miti) recommended that the law restricting the operations of hig retail stores should be more flexibly applied.

The law now restricts the business hours, size and activities of supermarkets and large department and chain stores, so that they do not disrupt small stores. This is seen by foreigners as a trade barrier because it is more difficult to

get imported goods into small

stores than large ones. A committee of the Prime Minister's economic council said the country had made considerable progress in shift-ing the source of economic growth from exports to domes-tic demand. However, it had not made much headway in improving life styles or promo-

the distribution system and a sharp reduction in working hours, and suggested that the big retail shop law should be

Indonesia donors come to talk aid but seek trade

NDONESIA'S main donor consortium gathers today in the Hague for an occasion which tends to have more to do with trade than aid. More than \$4bn is expected to be pledged, some in grant form but much of it as tied aid - concessional loans which must be spent with the lender

with Indonesia's economy picking up and President Subarto's Government under pressure to create local employment, many donors employment, many donors expect a sharp recovery in project-related business. The World Bank and Japan, by far Indonesia's largest bilateral donor, are expected to provide

donor, are expected to provide the greater part.

But contractors in the UK, the Netherlands, France and West Germany will be looking to their governments for support as they hid for orders in what is a key market for heavy equipment sales.

Since the fall in oil revenues in the early 1980s the concessional or soft loan, how a dominant feature of the country's financial landscape, has been the best and often only way for foreign contractors to win business in Indonesia.

foreign contractors to win business in Indonesia.

In 1984, after cancelling \$100n worth of capital projects, Indonesia unveiled a priority list to curb the volume of official export credits. All other government projects had to be financed by soft loans, repayable over 25 years with seven years' grace and interest at 3.5 per cent — terms which seemed tailor-made for Japan's emed tailor-made for Japan's low interest rate structure.

The soft loan is seen, from a structural point of view, as more workable than the tradi-tional mixed credit – an export credit sweetened with grant money. It provides finance for development while limiting for-eign debt exposure – though

total debt is still at a heady \$50hn. It also did much to sat-isfy the technical ministries for whom commercial patronage is the main lever of political

power.
If annual figures are a little misleading — individual contracts can take three years to negotiate — the meeting today none the less represents an important budgetary exercise for the indonesians.

Contractors look to their governments for support as they bid for export orders, writes John Muiray Brown

Last week Mr Johannes Sumarlin, the Finance Minis-ter, reported that development spending increased 38 per cent in 1988-99, the result of better oil prices and improvements in project implementation.
According to the World Bank,
the current year's tied aid dis-bursements should reach \$3.1bn - more than half the total external financing needs of the public sector. In April officials from the Overseas Development Admin-istration - the agency in charge of UK aid - started negotiations for a new £100m concessionary credit, anxious no doubt to improve on the performance of its first \$140m soft loan - \$85m of which has still to be finalised after two years of contract talks.
Some confusion remains over the tendering pro-cess - whether projects should be subject to limited tender.

suppliers designated by the ODA. But the negotiating climate has changed considera-

bly.
"It is now much clearer how you get from A to B," said one British official. Team 10, the Government's much-criticised vetting agency which approved all projects above a value of 500m rupiah (£175,000) has been abolished. All proposals are now assessed by the techni-cal ministry involved and overseen by Mr Radius Prawiro, the senior economics minister. This is expected to streamline approvals and speed up project

implementation. UK officials say the latest

protocol provides for much greater flexibility. There is no fixed project list, which avoids greater flexibility. There is no fixed project list, which avoids the risk of tying up funds for schemes which sometimes never get off the ground. This happened with the largest project under the first soft loan.

- a £48m rural electrification scheme where Northern Engineering Industries was the designated supplier. A letter of intent will be initialled once project negotiations have reached an advanced stage.

The UK also appears more amenable on local ruplah financing – British funds provided for Indonesian project costs, such as labour. One official said financing would be limited to 10 per cent of total project costs, on a case-by-case basis. In practice the UK, like other donors, is concerned to maximise the British content on any project.

Power is identified as a key sector with PLN, the state utility, set for a \$4.50n expansion in the current five-year plan – 83 per cent of which is to be financed by foreign aid.

The UK is also eyeing water and hospital projects and part of the Jakarta railway which

and hospital projects and part of the Jakaria railway which the Japanese are also funding.

Brussels eyes Moscow trade deal

which Indonesia believes

results in more competitive pricing, or awarded to single

EC Foreign Ministers yesterday gave the European Commission a formal mandate to start trade negotiations with the Soviet Union.

One of the Community's goals is for a trade accord that goals is for a trade accord that would gradually scrap all EC quotas on Soviet imports in return for Moscow giving Western businessmen more standards, nuclear salety, screence and technology. The EC reached trade accords with Hungary and Czechoslovakia last year, and negotiations

co-operation in a dozen sectors, including energy, transport, environment, technical standards, nuclear safety, sci-ence and technology. The EC reached trade accords with

already in train.

To bolster East European

reforms, EC Ministers have indicated to the Commission they would like speedy negotiations, particularly with Warsew and Moscow. But a deal with the Soviet Union is not expected before the end of this

ment and production of the advanced version of the McDonnell Douglas Apache helicopter. This aircraft is a development from the original Apache attack helicopter, which has The two companies plan to update the Apache helicopter

Westland, McDonnell link up for £1bn deal

would involve up to about 150 land/McDonnell Douglas agreebeen in production for some helicopters initially.
The army itself favours the years. The Apache was developed by Hughes before it was Apache, and the Commons acquired by McDonnell Doug-Defence Committee recently

added its support. The UK Ministry of Defence has insisted that whichever aircraft is eventually chosen, a studying a new anti-tank helicopter for some time, to replace its Lynx aircraft in the substantial amount of the development and production Apache and its rival, the Italmust be undertaken in the UK, ian Agusta A-129, have been and it is to meet that require-contending for an order that ment that the West-

ment has been signed. Westland already has a stake Westland already has a stake in the European group, Joint European Helicopters, including also Agusta, Fokker of The Netherlands and Casa of Spain, to develop an advanced version of the Agusta A-129, the Tonal.

With the agreement with McDonnell Donelas, Westland

McDonnell Douglas, Westland

has thus ensured that which-ever aircraft is chosen, it will

Other British companies, including Rolls-Royce with its new RTM-322 engine, and GEC and Ferranti on avionics and other equipment, are expected also to share in the helicopter

deal, whichever aircraft is cho-

have a major share of the work

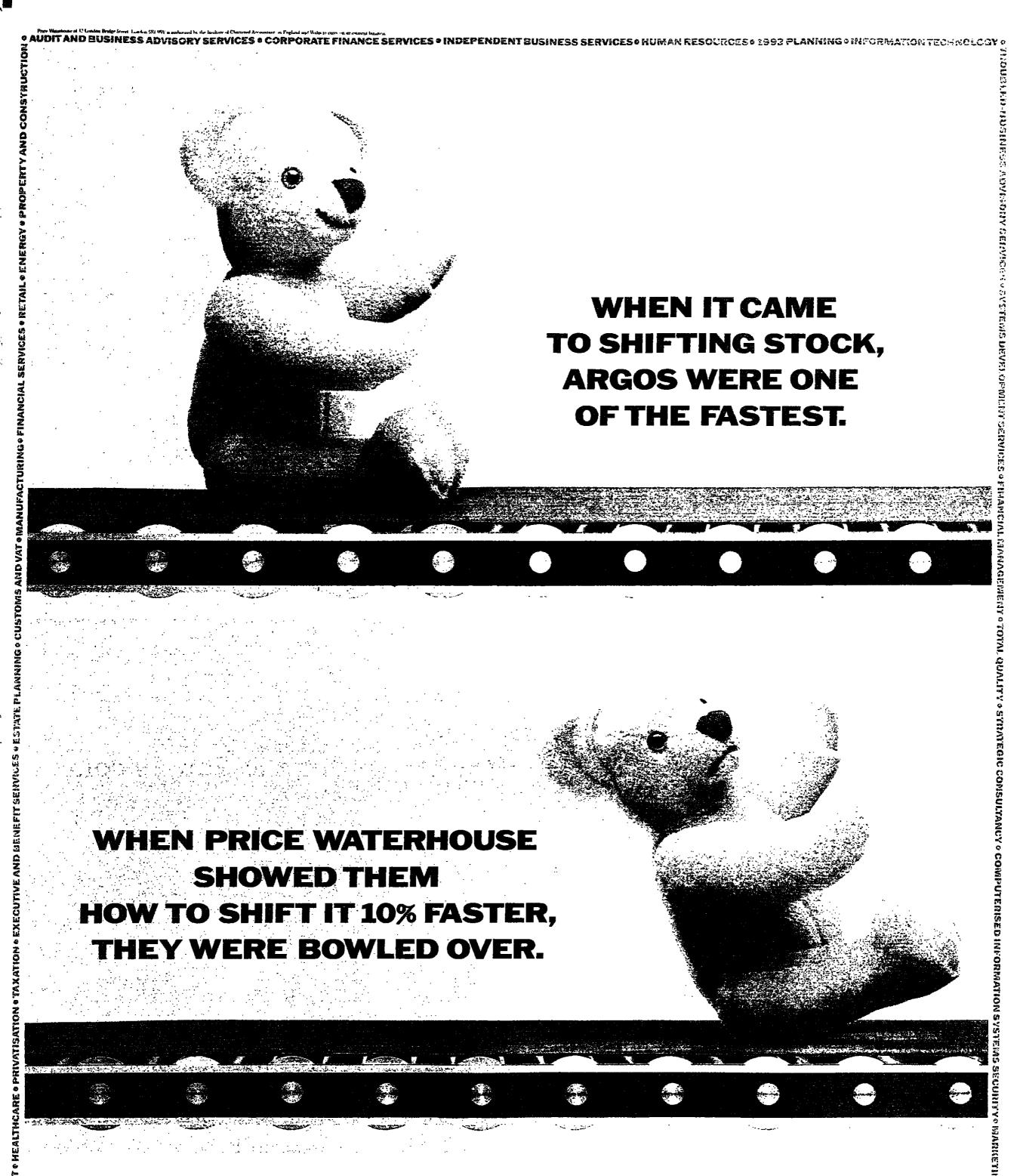
 British Airways has taken options out on 20 Canadair Regional Jets worth C\$335m and a commitment for a similar number has been confirmed by Alisarda SpA, a European airline. The order books for the 50-seater RJ is now 96 units, including firm orders and

options. First deliveries are due in 1992 and some component pro-duction probably will be shared with Short Bros of Belfast, now being acquired for C\$60m by Bombardier, Canadair's parent company in Mon-

seater Dash-8 300 commuter

ting imports. It called for deregulation of Great China Airlines of Taiwan has ordered four 52-

aircraft from Boeings de Havil-land Canada division in Toronto, worth C\$52m. reviewed and possibly



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FT LAW REPORTS

Currency exchange loss is not tax deductable

BEAUCHAMP v F.W. WOOLWORTH PLC House of Lords (Lord Keith of Kinkel, Lord Brandon of Oakbrook, Lord Templeman, Lord Oliver of Aylmerton and Lord Goff of Chieveley):

CURRENCY exchange losses incurred by a UK retail trading company on loans from a foreign source are non-tax deductible capital losses, not losses on income, if the loans, though used to alleviate short-term trading problems, were not fluctuating and temporary, but were for a defined long-term period and consti-tuted an increase of capital during that period.

The House of Lords so held when allowing an appeal by the Inland Revenue from a Court of Appeal decision (1989) i WLR 57) that currency exchange losses incurred by F.W. Woolworth plc were losses on income, and restoring Mr Justice Hoffmann's order that they were capital losses and were therefore not deductible from income profits for tax

LORD TEMPLEMAN said that Woolworth was resident in the UK and carried on its retail trade through chains of shops. In 1971 it borrowed SFr 50m repayable in five years. It con-verted them into sterling. In 1976 it purchased SFr 50m and repaid the loan.

In 1972 it borrowed a further SFr 50m and converted them into sterling. In 1977 it purhased and repaid SFr 50m. As a result of a fall in the value of sterling in relation to Swiss currency, Woolworth incurred a currency exchange

Expenses incurred in earning profits were deductible for income tax purposes. Expenses incurred in capital transac-tions were not deductible (see Income and Corporation Taxes

Act 1970 section 130(f)).

Woolworth claimed that its loss was deductible, as revenue, from its retail trade profits. The Crown submitted the loans were capital transac-

The special commissioners found in favour of Woolworth. Mr Justice Hoffmann held they had misdirected themselves in

law. The Court of Appeal restored their order on the grounds that the question was one of fact, and that the facts found by the commissioners were not such that no person acting judicially could have concluded the loans were revenue transactions. The Crown

appealed.
The weight of authority supported the view that the question whether transactions were of a revenue or capital nature was a question of law to be determined in the light of the facts found by the comm ers, and that a trader who borrowed SFr 100m for a fixed period of five years thereby enlarged the capital employed in the trade.

rightly so dealt with by Mr

In Strick v Regent Oil [1965] AC 295 Lord Reid said the tion whather lump sums paid in relation to a petrol tie were revenue or capital was
"ultimately a question of law
for the court but... must be
answered in the light of all the
circumstances which it is reasonable to take into account."

On principle and in the light
of indictal of judicial pronouncement the question in the present case was one of law, and was

> instice Hoffmann. A trading company of this type could only earn profits if it provided for the payment of trading expenses and for the receipt of trading revenue. Temporary and fluctuating borrowings incurred in transacting business were revenue

> > On the other hand, a trading company which borrowed unconditionally a fixed amount for a definite period might use the money generally for the purposes of its business or for any other purpose authorised by its constitution. Even when the money was employed in the business it might be laid out on income expenditure or

capital expenditure.

The commissioners found that Woolworth intended to use the SFr 100m to overcom a difficulty which was hoped to be of short duration, and which was caused by the fact that stocks were high and trade depressed. But there was nothing to

stop it from spending the whole or part of the money on capital items, and indeed part The SFr 100m, worth some

worth as additional capital. Its capital was increased by £10m in 1971 and 1972. It was true that the £10m was loan capital, but it was capital nevertheless. It was not income.

The authorities did not support the proposition that a borrowing of a definite sum for a fixed term of five years would be an income transaction. in Vallambrosa Rubber (1910) STC 529,536 the Lord President said "it is not a bad criterion of

what is capital expenditure as against what is income expenditure to say that capital expenditure is a thing that is going to be spent once and for all, and income expenditure is a thing that is going to recor every year."
Similarly, in a rough way, it was not a bad criterion of what was capital borrowing as against income borrowing to

say that capital borrowing was say mar capital corrowing was a thing that was going to be becrowed once and for all, and income borrowing was a thing that was going to recur every

A loan was only a revenue transaction if it was part of the ordinary day to day incidence of carrying on the business. It was not an ordinary incident of marketing unless, as the authorities showed, it was temporary and fluctuating and was incurred in meeting ordinary

running expenses.

The special commissioners said the issue was whether the borrowing took place in such circumstances that the borrowed monies were an addition to the company's capital resources or formed part of its day to day activities in the earning of profits.

That question only permitted one answer the borrowing itself did not form part of the day to day activities in earning

The special commissioners came to the contrary conclu-

Their reasons were that they and the loans were arranged to tide Woolworth over a short-term problem, namely the failure of its trading activi-ties to generate sufficient cash flow to cover its day to day

Mr Justice Hoffmann correctly reversed the special commissioners. He said that in sttaching importa Woolworth sought to do rather

than to what it actually dis the commissioners misdirected themselves. The fact that the object of borrowing was to deal with a temporary shortage of cash was irrelevant if the solution actually adopted was to make an addition to Woolworth's liquid resources some ciently permanent to be regarded as an accretion to its

He said where there was no fixed term for repayment or the term was of a borderline nature, the use to which the money was put might throw some light on whether it was an accretion to capital. But The terms of the losus were sufficient to make it clear they constituted additions to capatal, and it did not matter whether they were to be employed in the making of payments of a revenue or capa-tal nature.

The Court of Appeal rightly ccepted that "the basic principle in regard to loans is that if hey are a means of fluctuating and temporary accommod tion, they are to be regarded as revenue transactions and not accretions to capital."

But it accepted Mr Park's argument that the nature of the advantage to be acquired by the transaction was the Imtherance of trade over five year

Woolwurth's trade was fin thered over a five-year period by an increase of capital dur-ing that period, and not by fluctuating and temporary accommodation it made a loss of £11.6m, but it was a loss in ction with a capital transaction.

Unfortunately the capital gains legislation did not apply to a currency exchange loss as an allowable loss. It was understood that the legislation was

As the law now stood, the nesi should be allowed. Mr Justice Hoffmann's order Their Lordships agreed.

For the Crown: Christopher McCall QC and L. Henderson (inland Revenue solicitor) For Wookworth: Andrew Park QC and David Goy (Lovell

Rachel Davies







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NON BARCLAYS CUSTOMERS WILL NEED TO OPEN A BARCLAYS CURRENT ACCOUNT IN ORDER
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n the 1960s, Rolls-Royce expected to make and break about 20 develop-ment aero-engines while perfecting a new one such as its revolutionary RB-211, Today it breaks only seven or eight.
Tomorrow, it could be as few

as five, forecasts Stewart Miller, director of corporate engineering. "We're trying to have our failures in the com-

The puter."

Keeping control of research and development costs is one of Miller's main responsibilities. Rolls-Royce spends about £300m a year on R&D and Miller manages the research through two directors who run their own laboratories but report to him for R&D. One is responsible for design, the other for manufacture.

Miller believes that the future of aero-engine development lies in integrating the functions of designer and maker - to the extent that their boundaries blur. As he of an aero-engine corresponds with the development phase of a drug. But instead of clinical trials to prove efficacy and safety, the engine maker is concerned with certification proving performance and

safety.

A maker of aero-engines can define his R&D objectives pre-cisely. He can look ahead, perhaps 20 years, specify the performance he wants to achieve and then write down the engine temperatures, thrust-to-weight ratio and other factors which are required to get there. Miller calls it "right-to-left planning" – a process of working backwards systematically from what is wanted.

The R&D cycle for a new engine, from design concept to full certification, can be 10 years or more and can cost 2500m. Up to six years is spent preparing the ground for engine development by acquir-ing the technology – such as materials and manufacturing – needed to demonstrate the

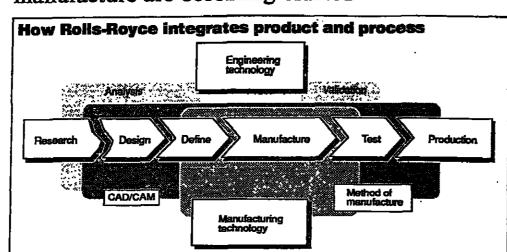
engine's performance. But once the project is given the go ahead, says Miller, the level of risk must be low. If development engines start failing in unexpected ways, it can be very expensive to backtrack. There are five years of engine development, with the heaviest costs falling in years two to four.

Miller says that Rolls-Royce learnt a vital lesson in R&D management when the com-pany collapsed in 1971. "We had been jumping into full development before we were

After the crisis, Rolls-Royce stepped up expenditure on

Confining the failures to the computer

David Fishlock explains how design and manufacture are becoming blurred



what is called "advanced engineering" - the R&D done before any formal commitment to a new engine design. This was increased from the 5 per cent allocated to the initial RB-211 programme to 20 per cent of the R&D budget.

The longer-term response was to use the rewards of the increased advanced engineering to reduce the number of engines consumed in the traditional test/failure/redesign/re-test cycle. The goal is to under-stand enough about the behaviour of the "group A" components in particular -the ones which can endanger an aircraft if they fail - to allow a computer to simulate the process of pushing them to their limits.

The fuel bill alone for running engines on test comes to £1m a year. "Although running a supercomputer can also be expensive," Miller warns

Derivative engine programmes also help to cut the cost and risk of new engines by making extensive use of proven components and mod-ules. Miller hopes that its RB-211-524-L derivative, scheduled to enter service in 1993, will need no more than six development engines for certification. An illustration of how R&D, design and manufacture are melding is found in the hollow

titanium fan blade which is a

pivotal component of the 524-L engine. This composite struc-ture was designed by the team headed by Phil Ruffles, director of engineering design (now technical director), and made by Trevor Broughton, director of manufacturing engineering.

The idea is to stretch this particular component to new limits. To draw in enough air to achieve extra thrust. this blade has to be four inches longer than any made previously by Rolls-Royce's composite materials technology. Although it has been using blades of this kind in service for nearly five years, no one has managed to copy the design, the company claims.

What Rolls-Royce keeps a particularly close secret is how the composite of thin titanium skins enveloping a metallic honeycomb is bonded into a high-performance part. For the 524-L engine, it is working on a lighter honeycomb of superplastic titanium.

The standard way of testing this blade is to fire a flock of 1.5 lb gelatine "birds" into an engine fan at 160 knots to simulate the way the full-thrust of the engine sucks in birds at take off. However, a computer simulation of the way the com-posite material behaves under violent impact shows remark-able correlation with reality. confirming that although the

hollow blade will be bent, it will not split. Such computer simulations

of component behaviour are making the traditional boundary between design and manufacture increasingly artificial, says Broughton. Integration of the two is a main thrust of his manufacturing R&D. He believes that technology for technology's sake is a thing of the past. The starting point must be a clear definition of need, he says. "A lot has gone wrong by concentrating on the technology."

As head of manufacturing technology under Broughton, David Alexander is modelling the behaviour of the material during manufacture, just as Phil Ruffles models its behav-iour in service. Alexander has computer simulations of such processes as isothermal forging, a way of massaging excep-tionally strong materials con-taining ceramic particles into engine discs and blades. Casting and heat treatment pro-cesses have also been simu-

"It puts the science into manufacturing," says Alexan-der. "You do as much as you can without doing it for real." He has worked closely with the inco subsidiary, Doncasters Monk Bridge, to develop the isothermal forging model and reckons it can cut the time for introducing a new disc mate-

mirodicing a new disc maerial from two years to four months. One day he hopes to do simulations in 48 hours.

Alexander has placed a research contract with Warwick University to research the integration of design materials. integration of design, materials and manufacture for new ceramic materials, which Rolls-Royce believes are needed to reach the military engine performances required over the next 20 years. The company will second scientists to the university to work in a jointly owned laboratory it is funding while the university will train a new multi-disci-plinary breed of engineer.

As Miller sees it, in the last decade the universities have taken a very different attitude towards Rolls-Royce's problems. "They are hungry,"

explains drily.
"Research clubs are the thing," Alexander believes. He wants to involve universities and suppliers such as Inco in this integrated approach to design and manufacture starting with the more expensive materials and parts of an

aero engine. So highly does Miller rate the importance of integrated design and manufacture that he has set up a corporate project in parallel with his engine ect in parallel with his engine projects. He asked Chris Web-ber to run the computer aided-engineering and manufactur-ing (CAEM) project just as he would run an engine project. Miller wants CAEM to tie together the two main strands of Rolls-Royce's R&D. CAEM starts with the performance

starts with the performance required of a future engine pro-gramme and works backwards

and worse backwards to achieve integrated design and manufacture — his "right-to-left planning."

Webber has a budget of up to film and controls about 150 engineers throughout the company working on both civil pany, working on both civil and military engine projects. He began the CAEM project four years ago with a big but unco-ordinated corporate body. of experience in computer-aided design and computer-

aided manufacture. The watchword, says Web-ber, is "righter first time." Fan hlades have been a particularly difficult challenge. They are probably the most unstable part of any aero-engine and they push materials so close to the limits that the design often needs to be changed at the

evelopment stage. All the same, this year Web ber expects to put in operation an integrated approach to the design and production of fan blades that is demonstrably er and cheaper than current practice.

Savings on messaging

OCTAGON Telecommunications Services, which researches tolocoms tariffs, has produced a comprehensive cost assessment of electronic messaging and concludes that both tacsimile and

electronic mail are much cheaper than telex. The assessment is contained in issue four of the London company's Guide to Telecommunications Tariffs. John Hunter, the editor, says that based on total costs,

including terminals, accommodation, and operator time, telex is around twice as expensive as lacsimile or electronic mail. "We have tested this result against varying message lengths and traffic levels for destinations in the UK and around the world. Users should stop and ask themselves how much

ask themselves how much money they are wasting through the use of telex." Octagon also comperes the charges of the main suppliers, which are British Telecom, Mercury, Comet, Easylink International and One-to-One. There are sharp differences, but the comparisons are highly dependent on the circumstances of the user

no supplier was the cheaper no supplier was the cheapes or most expensive in all 69 cases examined. Mercury wa the cheapest supplier in 30 cases. Use of the wrong supplier can add as much as 50 per cent to costs.

Alex Reid, main author of the guide, says that this area is "a minefield for the unwary

There are many components of cost, and pricing structure differ widely, particularly for electronic mail. We have developed a logical framework which cuts through this complexity and delivers simple conclusions."

Rescuing paint from sludge

HADEN Drysys, a newly formed UK company which is part of the Haden MecLellan Group, has developed a means of recycling the paint sludge that arises in large spray paint shops, perticularly in the motor industry.

Typically only about half of sprayed paint lands on the car. The rest is flushed away

with water. Then the wa is removed to leave a studge. Normally this studge, which contains toxic heavy metals.

WORTH WATCHING

Edited by **Geoffrey Charlish**

and solvents, is dumped into landfill sites where it can leach into ground water. Each year 110,000 tonnes of the material is disposed of in Europe alone.

Europe 2008.

The new company will put in plant to lurn the studge int powder that can be used again in paint production. It will retain ownership of the plant, operate and maintain it, and charge the vehicle company about \$2 a car. The system can be used to treat er industrial sludges. omer industrial studges.

Known as Drypure, the
system consists of equipm
to handle studge and dry
powder, a drier, dust extractor, time incinerator and heat exchangers. All the volatile hydrocarbons and

are cured, safely encapsulating any metals, such as lead and chrome, such as lead and chrome, and reducing their leach rate. The gases are burnt to give a clean, odouriess discharge, the resultant energy being used, via heat exchangers, to heat the drier.

moisture are driven off and all the residual paint resins

Movement on a weighty problem METHODS for weighing heavy goods vehicles automatically while they are travelling on public roads, are being developed at the UK Government's Transport and Road Research Laboratory

(TRRL). The prevention of overloading is seen as essential in order to stop excessive wear on roads and bridges. At the moment, statistics on overloading are gathered during routine guarantee curves rounned weight checks and random surveys in which the vehicle is usually directed to a weight station off a main road.

Alternatively, portable weighing pads can be placed in treat of the wheels and the driver instructed to drive on to them. TRRL says likel such methods are costly and limited to a few sites where HGVs can be stopped safely. They can only be carried out

during the day. Drivers can avoid detection by taking alternative rout Enforcement officers fend to select obviously suspect vehicles, distorting oversit.

statistics. Automatic devices built into the road could provide date cheapty and unobtrusively, 24 hours a day, without stopping the vehicles. The tion from such systems could be used to deploy enforcement officers efficiently, at times and place efficiently, at bridge is most where overloading is most serious. In addition, the

serious. In addition, the equipment could be linked to unattended systems that could be overloaded forries from crossing a week bridge. TRRL is working on ways of improving the accuracy of in-motion waighing, which has callbration problems and tends to expensive the tends to exaggerate the number of vehicles that are overloaded.

Tailored to the uninitiated

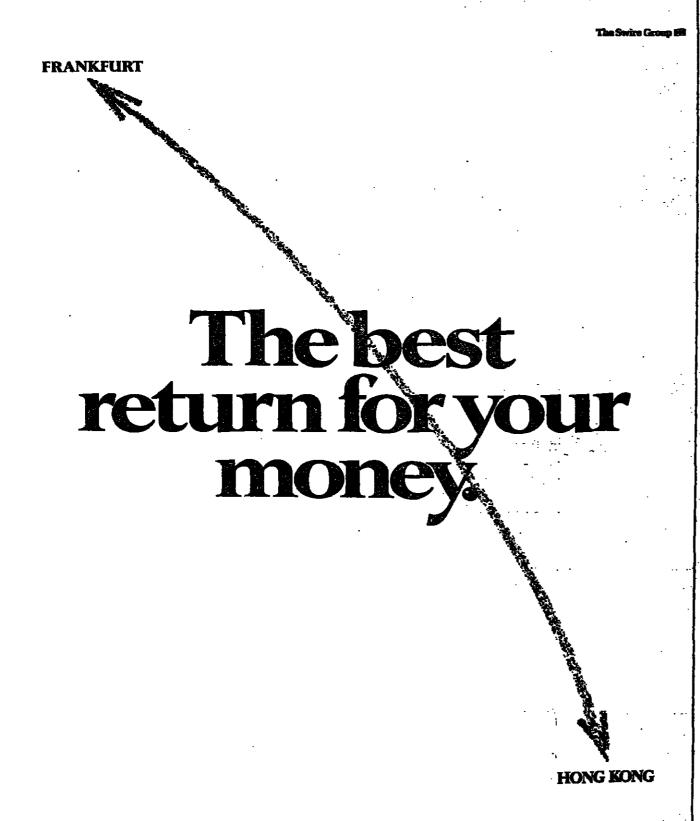
CHOOSING the right me remains the single biggest problem facing individuals and small businesses purchasing a computer. Help for the univillated is seldom

for the uninitiated is seldent forthcoming from the computer press, which often speaks a isnguage of its own The problem in deaft with in pietres by a 48-minute, 248.45 video from Taylor Made Films, of London. Provided that the viewer has a clear idea of what he wa his personal competer to do, this video will probably narrow down the pholos to

two or three machines. its merit is that it equising the essential jargon and the basic functions of a company including the effects of the different processor chips in use, the relative value of hard and floppy discs, and the levels of display detail available in colour and monochrome.

it also covers the outlets where the machines can be

CONTACTS: Octagon: London, 636' 1891. Haden Drysys: 0438 314309. TRRL: UK, 0344 770587. Taylor Made Distribution: UK, 051 708 8202.



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railwaymen vote to strike

By Charles Leadbeater, Labour Editor

LONDON faces the prospect of bers. However NUR officials the worst transport disruption for seven years after the National Union of Railwaymen yesterday announced that its members at British Rail and London Underground had voted heavily in favour of industrial action.

The strikes at British Rail (BR) are likely to be national, seriously disrupting the network's inter-city, parcels and fright services.

But the union's executive is planning to co-ordinate these national strikes with 24-hour stoppages on London Under-ground which would affect the half million people who com-mute into the capital each working day. This would cre-ate the most severe disruption since simultaneous strikes in since simultaneous strikes in

The NUR's national executive committee is expected to announce its plans for indus-trial action on Wednesday. It is unlikely the union would call industrial action before the end of next week when Aslef, the train drivers' union, is due to announce the outcome of an industrial action ballot among

THE unofficial docks strike

spread to more ports yesterday but fell well short of the

nationwide action predicted by

militant shop stewards. By last night over 3,400 out

of 9,400 registered dockers in 12 ports were on strike – just

100 more dockers on strike

bury, east of London, and Liverpool, north-west England, remained on strike, more than

600 dockers at Southampton.

on the south coast, voted at a

mass meeting to continue

Local workers at the north-

eastern port of Hull, which employs more than 600 dock-ers, also stayed at work.

While most dockers in Til-

than at the weekend.

said it was unlikely the union would wait for Aslef to decide

what action to take.
The NUR's 75,000 BR members voted by 34,988 to 15,762 for an overtime ban and by 29,675 to 20,704 for 24-bour strikes, over BR's imposition of a 7 per cent pay award and plans to end centralised national pay bargaining.

The NUR's 2,000 drivers and guards a Richard on Underground

voted 1,264 to 116 in favour of strike action over a 10.5 per cent pay offer linked to the introduction of driver only The union's 10,000 other members at London Under-ground voted 4,362 to 1,009 for strikes over the management's

Action Stations plan for pro-

motion procedures based on merit rather than seniority and more flexible working prac-This four-to-one majority for strike action was significantly lower than the original ballot on the issue, held in April, which returned a seven-to-one majority for action. The High Court last month ruled the first ballot invalid because the

Dock stoppage spread limited

Senior managers at the Port of Southampton said last night

or Southampton said last right that they hoped that the local workers' decision not to strike would pave the way for local talks before the abolition of the Dock Labour Scheme, which guaranteed dock work-ers a job for life, is passed into law next month.

Mr Ian Dale, public affairs manager of the National Asso-

ciation of Port Employers

(NAPE) said: "It looks like a bit of a damp squib. Clearly the call for the strike to be extended today was pointless." Officials of the Transport

and General Workers' Union, Britain's biggest, said that those dockers who had decided

to go on working had done so

law next month.

ballot paper was worded impre-

Mr Jimmy Knapp, the NUR's general secretary said the union had a clear mandate for industrial action, which showed there was widespread opposition to both corpora-tions' plans to impose changes in working practices. He called for further negotiations.

The rail unions will meet

London Underground on Friday for talks on Action Stations and driver only trains. NUR leaders will today meet their counterparts at Aslef, the TSSA, white collar rail union and the Confederation and and the Confederation and Shipbuilding and Engineering Unions to seek their support. It has already signalled its willingness to alter its proposals on flexibility between drivers and guards, which have provoked a series of unofficial strikes by Aslef drivers over the past five weeks.

Meanwhile leaders of 19,000 London bus workers are due to

London bus workers are due to meet London Regional Transport tomorrow for talks over its 8.1 per cent pay offer. Union leaders have warned they will

in a display of union disci-

Mr Ron Todd, the TGWU's

general secretary said that registered workers who con-

tinued striking were "wrong" and urged them to wait until the union had "freed" itself

The TGWU's national execu-

Hypo-Land

from the "legal shackles."

the High Court.

Transport chaos looms as |Lords hearing clears Lonrho of contempt

By Richard Donkin

conglomerate, yesterday promised to continue its attempts to expose what it termed "a serious fraud on the British Government" after it was finally cleared of contempt of the House of Lords.

It had faced the accusation because of publication of a spe-cial midweek edition of the Observer newspaper - owned by the group - on March 30 which contained extracts from a leaked Government inspector's report on the takeover of the House of Fraser by the Egyptian Al Fayed brothers. The edition was published shortly before a hearing in the

Lords of a Lourino appeal for the report to be published. Lord Bridge, presiding at yesterday's hearing with Lords Goff and Jauncey, said it had been unanimously decided that no case had been made for contempt. Reasons for the decision

LONRHO, the international conglomerate, yesterday prom-

Sir Edward Du Cann, chairman of Lonrho, said he was delighted the company had been vindicated. Speaking on behalf of the Lonrho board, he added: "We are delighted that the courts should have approved our endeavours to see that a serious fraud on the British Government was

endeavours to expose it in the public interest Mr Donald Trelford, editor Observer, described the pro-ceedings, estimated to have cost £1m, as a "ludicrous waste

exposed. We shall continue our

of time and money."

The controversial edition of the Observer was halted by a Department of Trade injunction after 280,000 copies had gone on to the streets. It was published 11 days before five Law Lords, headed by Lord Keith, heard Lonrho's final attempt to force Lord Young, Secretary of State for Trade and Industry, to publish his inspectors' report into the takeover of House of Fraser by the Fayed brothers. House of Fraser owns the prestigious London store Harrods.

The original committee of Law Lords, the highest UK court of appeal, which initiated the contempt proceedings, dismissed that final appeal last month. It said at the time that Lonrho had been guilty of bul-lying and intimidating tactics. Announcing the decision yesterday, the fourth day of

the hearing, Lord Bridge said he would look at written legal submissions by counsel for Lonrho and its directors claiming defence costs from the Treasury.

Recause the case was presented by a "friend of the court" no precedent exists for awarding such costs, which for the

defence are believed to approach £500,000. Earlier all those named in

the case, the four directors of Lonrho - Mr Tiny Rowland, chief executive, Sir Edward, Mr Paul Spicer and Mr Robert Dunlop, with two lawyers and Mr Trelford, were told they would not be required to give evidence in the hearing.

Lord Bridge said it was not appropriate to hear cross-examination in the case. Mr John Laws, Treasury counsel, prosecuting, told the hearing yesterday that he wanted to question Mr Rowland about a "surprising account of events" on the two days before the secret DTI inspectors report had been delivered anonymously to Lon-

rho's officers. Did Mr Rowland have the report earlier, "contrary to his evidence?" asked Mr Laws, and "Was he already seeking to

prepare the ground for his use of the report partially in the context of the court?"

Mr Laws disclosed in opening the hearing that Mr Row-land had explained in an affidavit the reason for a meeting he held with legal advisers about House of Fraser the day before the report appeared on

According to the affidavit, Mr Rowland had wanted to ask his lawyers for their views about receiving confidential documents because he thought that bank statements of Swiss accounts operated by the Al Fayed brothers relating to the purchase of House of Fraser would shortly become avail-

able to Lonrho. Mr Laws said he also wanted to question Sir Edward, who had said in his affidavit that the decision to publish had been taken in the public interest.

Lawyers go

over Clowes

LAWYERS representing Mr Peter Clowes, the former chief executive of the failed Barlow

Clowes investment group, are planning to go to the High Court in a bid to prevent the £1,000 a week he receives from being blocked.

to court

payments

In Brief

yoghurt.
The products were believed

The outbreak of botulism poisoning, which can be fatal, is the latest scare in a year when food poisoning cases are

tive voted on Friday last week not to change a policy of refraining from calling an offi-cial strike of registered work-ers until cleared to do so by The Government has pre-viosly alerted the public to the dangers of salmonella contami-nation of eggs and listeria infection in some cheeses and ready prepared meals. Controversy in Britain over food hygiene reached a peak

post as junior health minister after having claimed that "most of Britain's egg produc-tion was contaminated with

Health Secretary, commenting on the latest outbreak said: "It could potentially be tragic. It is very serious." Supermarket chains have

different supplier to that impli-

Sainsbury's, Britain's biggest supermarket group by turnover, withdrew all its hazelnut
yoghurts from the shelves, but
a spokesman added: "We do
this despite the knowledge that
all our yoghurts on sale are
perfectly safe."

The Department of Health
said the clinical diagnosis of

botulism was yet to be con-firmed by laboratory investiga-tions. These are underway. manufactured by a different

tions. These are underway.

The Department said information suggested a probable link with the use of a particular hazelnut purée in the production of some yoghurts.

The purée, said the Department, was manufactured by yourse Profite of Kolkestone

Youngs Fruits, of Folkestone, Kent. Yoghurt made with this puree was manufactured by two local dairies in the North West. They were Acom Foods, of Preston and Forshaw Littletown Farms, of Langridge. All of the hazelmut yoghurt pro-duced by these two companies en withdrawn from sale. The Department said that a hazelnut yoghurt, probably

company, may have been implicated in one case in Old-ham. It was in view of this new development, and as the situa-tion was not yet clear, that it was advising for the time being that the public should not eat any brand of hazelnut yoghurt. Department of Health and Ministry of Agriculture staff were last night carring out

tests at Youngs Fruits. Mr Ken Davy, the technical manager of Youngs Fruit, said: "The company was contacted by the environmental health department, as no doubt other producers have been. "We know that tests are being done to try and trace the

For the past year Mr Clowes has been paid the money from the liquidators of Barlow Clowes, which collaused owing investors \$138m.

The money has been paid under a 12-month agreement between Mr Clowes and the liqudators. In return, Mr Clowes agreed to help the liquidators, and assigned an estimated \$25m worth of personal assets

Shorts wins order

Short Brothers, the state-owned Belfast aerospace com-pany which is now being sold to Bombardier, the Canadian transport group, has won a £50m order from Rolls-Royce

for engine cowlings. The cowlings will be for the Rolls-Royce RB-211-524L engine, now renamed the Trent, which is being developed for aircraft such as the Airbus A-330.

BMA fights reforms

The British Medical Association yesterday stepped-up its campaign against the Governnent's health reforms in advance of a meeting with Mr Kenneth Clarke, Health Secretary, tomorrow.

BMA leaders plan a series of 30 public meetings around England, Scotland and Wales to provide more information about the association's concerns over the Government policy document Working for Patients, which proposes self-governing hospitals.

Labour tunnel move Britain's opposition Labour Party is to hold an alternative public hearing into the proposals for a high-speed rail link between London and the Channel Tunnel, it was announced yesterday.

Labour claims the hearing will provide a public focus for criticism of British Rail, the state-owned railway system

state-owned railway system which came under attack for failing to consult residents facing disruption by the building of the new rail link.

London traffic slows

Road congestion has slowed London traffic to less than 12 mph, according to the Department of Transport. Latest figures showed morning traffic in London in 1987-88 averaged just 11.8 mph.

with a divorcee. He refused to confirm or deny the reports and said: "I have not been asked to resign."

Yoghurts linked to botulism outbreak

BRITAIN's food industry and Government were yesterday faced with another scare over food hygiene after an outbreak of botulism poisoning in Lan-cashire, north-west England. The Department of Health warned people not to eat any brand of hazelnut yoghurt after 10 people, including five children, became seriously ill after eating contaminated

to have been contaminated by hazelnut purée, manufactured by Youngs Fruits, a privately owned cannery in Kent, south-

on the increase.

The TGWU's appeal against a Court of Appeal's ruling which stopped the strike from proceeding is be heard in the House of Lords next week. earlier this year when Ms Edwina Currie resigned her

MUNICH

salmonella. Mr Kenneth Clarke, the

began destroying all their stocks of hazelnut yoghurts after the warning was issued and producers of leading brands, including Eden Vale, have ceased production of their own hazelmut brands. However, it said the brand was made from nut pieces

rather than puree, and the materials were bought from a cated in the present alert. Sainsbury's, Britain's biggest

Demanding tastes raises the pressure on food industry

Chris Parkes on problems of food supply

THE catalogue of consumer demands on the food industry has mounted steadily as British eating habits have become more sensitive to the vagaries of fashion, the influence of political, health and animal realizate leability and the line. welfare lobbyists, and the lin-gering after-effects of eating exotic foods on foreign holi-

days.

Many shoppers now demand

many in their less fat, salt and sugar in their food. They want more choice with fewer additives; more fresh food, less processed. They denounce irradiation as a preservative technique and clam-our for fibre. They say "yes" to swordfish and "no" to whiting; crave convenience and scorn slaving over a hot stove. This has sparked a process

of rapid and complex change in the food business which has tended to outstrip the ability of

the regulatory authorities and certain sectors of the food trade itself to keep pace.

Partly as a result of this change, and partly because people and the media have become far more sensitive to become a partly to feed Partly in the feed Pa issues relating to food, Britain appears to have been over-taken by an epidemic of foodrelated allments.

Last year's salmonella scare over eggs had hardly faded when listeria in prepared meals became an issue. The

debate has yet to die down. Academics continue their pub-Academics continue their public discussions, the Government makes vague attempts to tighten regulations, and journalists scrabble in medical text books and esoteric journals books and esoteric journals hunting down new bugs which may be lurking in the lasagne. The relative demerits of more than 2,000 types of salmonella, campylobacter jejuni, bacillus cereus and E. Colihave been discussed at length. But there had been hardly any mention of clostridium botulinum, the agent responsible for the current outbreak of posoning in Lancashire, in north-west England.

Botulism is extremely rare in industrialised countries, and

in industrialised countries, and since it is generally contracted from infected canned foods, and not the fresh and chilled much attention in recent months, it was not properly relevant to the debate.

But the outbreak, apparently originating in cans of hazelnut purse, is certain to rouse more passionate discussion and more demands for tighter controis on the food industry. So far, the Government has been reluctant to take rigorous

action of any type. Last month it amounced a handful of modnated measures including pro-posals obliging retailers to invest in new chilled food cabinets to ensure produce was kept at safe temperatures, and

increased powers for environ-mental health officers.

But the process will be cum-bersome. Consultation papers have first to be scanned and considered by the retailers, and powers to allow food inspectors to check food factories would have to wait until there was time to introduce the neces-sary legislation, Mr John Mac-Gregor, Agriculture Minister

Demand for a more varied diet has drawn more fresh and processed foods into Britain from far-flung corners of the world where production and health controls may be scanty at best. Fresh tropical fish and fruits are flown in regularly and are now commonly avail-

and are now commonly available in supermarkets.

The demand has also led to the creation of many hundreds of small food manufacturers, making mainly fresh products such as sandwiches, baked goods and ready-to-eat meat. While the larger manufacturers with established health controls and reputations to controls and reputations to protect produce these goods for the leading retail chains, there are many smaller companies working within local distribuworking within local distribu-tion areas, supplying service station shops, confectioners and similar small outlets. According to consumer mag-azine Which?, published by the Consumers' Association, a third of sandwiches bought in

corner shops contained E. Coli, a bacterium associated with faecal contamination.

Robson stays on

England soccer manager Mr Bobby Robson said be would not resign over newspaper alle-gations that he had an affair

GEC to close torpedo plant

By Terry Dodsworth, Industrial Editor

THE GENERAL Electric Company (GEC), Britain's lead-ing defence electronics contractor, is closing its torpedo com-ponent manufacturing plant at Farlington in Hampshire with the loss of about 420 jobs.

The company said yesterday the decision was prompted by the phasing out of production of the Tigerfish, the UK's pres-ent heavyweight torpedo used in submarine warfare. Con-tracts to build Tigerfish's replacement, the Spearfish, are going out to tender, and no production contracts will be awarded on it until 1991. Marconi Underwater Systems, the GEC subsidiary

which runs the Fartington plant, is aiming to redeploy 100 of the redundant workers. About 50 jobs will be offered employment at its nearby Waterlooville factory, and a further 50 at its Neston assembly facility in Cheshire. Marconi, which employs

about 3,500 in its underwater systems division, is at present Britain's sole supplier of heavyweight torpedoes. The Ministry of Defence has recently been trying to stimulate competition in this sector by encouraging other suppliers, and Plessey, the electronics group which GEC has been trying to acquire, has

expressed interest in re-enter-ing the business. Marconi said it remained confident about its chances of winning the main production contract for the Spearfish, which it has already manufactured on a development con-tract basis. However, the pause in manufacturing at Farlington meant that it could not keep the unit going.

The Farlington plant makes the main electro-mechanical parts for the Tigerfish, which is assembled at Neston. If GEC wins the Spearfish contract, these components will be man-ufactured at either Neston or

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UK NEWS

Inflation pressure eases; spending trend still down

Retail Sales

Seasonally adjusted 1985-100

124

The seasonally adjusted index of retail sales volumes stood at 123.9 (1985=100) in

May compared with 120.9 in April. The value of sales was

£8.98bn - 9 per cent higher than May 1988. Alice Rawsthorn adds:

Retail groups selling products for the home, such as carpets and furniture, face slower sales

growth and pressure on profits due to the impact of higher

ers should muster some sales

Corporate Intelligence dis-

agrees, however, with the pessimistic predictions that sales of costly items – such as carpets or three piece suites – will fall because of the slow-

down in the housing market

and the pressure on personal disposable incomes.

interest rates on spending. A study from the Corporate Intelligence Group, suggests that the home products retail-

growth this year,

Big retail sales jump for May surprises City

A UNEXPECTEDLY large jump in official retail sales figures for last month, yesterday suggested the slowdown in UK consumer spending may have been temporarily reversed.

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Retail sales volumes increased by a provisional 2.5 per cent in May after adjusting for normal seasonal variations, the Department of Trade and industry said. That was the biggest monthly rise for more than two years. The size of the rise surprised

122 120 118/ analysts and more than reversed a 1.4 per cent fall in April. However, the underlying trend continues to point to a marked slowdown since last

In the three months to May, In the three months to May, the level of sales was 1% per cent higher than the previous three months. Compared with the corresponding three months a year before, sales were less than 4 per cent higher – down from peaks of 7 per cent last wear. per cent last year. May's sales are likely to

have been boosted by exceptionally sunny weather which encouraged shoppers. April's figures could have been distorted by problems in accounting for the earlier-than-usual

Since last year, retail sales growth has been hit by the steep rise in mortgage rates. However it is likely most of the effects have now fed through and last month's figures may reflect consumers re-adjusting spending patterns, Retail sales account for about 40 per cent of total consumer spending.

Factory prices show slowdown

By Our Economics Staff

SIGNS OF a mild weakening in inflationary pressures came in official figures yesterday, showing a slowdown in the rate of increase in factory-gate prices of manufactured goods. The manufacturers' output prices increased by 0.3 per cent last month - after a 0.5 per cent rise in April, the Department of Trade and Industry said. That cut the annual rate of growth from 5.0 per cent to

Other figures showed a slower growth rate for the prices of materials and fuel purchased by manufacturing industry. This could reduce future cost pressures. The fig-ures were better than most analysts expected.

They suggest slower output growth may be increasing competition within manufacturing,

restraining price rises. The strength of sterling, at least until recently, could also have increased competition However, manufacturing goods form only part of the basket of goods used to calcunasket or goods used to calculate the retail price index. City analysis fear other sectors of the economy - particularly services could continue to push the inflation rate higher. Ralph Atkins describes the difficulties in calculating the effects of costlier money

OOMING trade deficits and rising inflation may have sent interest rates higher, but the boom in UK manufacturing investment con-tinues unabated – so far.

Yesterday's Department of Trade and Industry survey showed that buoyant manufacturing investment was expected continue throughout 1989 with only a gradual decelera-tion in 1990.

Such rapid growth lies at the heart of the industrial "trans-formation" about which Mr Nigel Lawson, the Chancellor of the Exchequer likes to boest. Last year manufacturing investment, including leased assets, rose by more than 14 per cent and has averaged about 7 per cent a year since 1982. This, the Government 1982. This, the Government argues, has meant industry is more efficient, competitive and can grow at a faster rate without fuelling inflation.

But beware exaggeration.

Manufacturers' capital spending is scarcely higher than a decade ago and could merely have been diversity constitutions.

to overcome capacity con-straints. Manufacturing investment has also fallen as a per-centage of total investment. Mr Ian Harnett, UK economist at ANZ McCaughan, said:
"When you look at the low
level of investment and the
amount of scrapping that there
was in the early 1980s, the

country certainly needed to have a lot of investment More important, further supply side improvements depend on continuing investment growth. The danger is that

each upward jerk in interest rates adds to the cost of finance and tests manufacturers' confidence. Longer-term, secondary effects of higher interest rates in slowing output and on the

exchange rate may be even more damaging. The problem is in disentangling the effect of a rise in the cost of borrowing from the mass of factors that may determine investment. These include:

Domestic output and capacity considerations. Strong growth in production since the early 1980s has required strong investment. Equally, however, even in times of recession or slower output growth, price competition may mean strong investment is needed to improve efficiency.

The global economic envi-

ronment. A sterling apprecia-tion may cut manufacturing competitiveness overseas, dis-couraging capital expenditure. Manufacturing goods are easily tradable, leaving investment plans prone to global trends in

• The ability of companies to fund investment. If the cost of capital rises through a rise in interest rates, investment others to predict investment

Manufacturing investment is expected to rise by about 15 per cent this year, according to yesterday's Department of Trade and Industry survey. Results of the spring investment inten-tions survey show manufacturers' direct investment is expected to rise by about 14 per cent while spending on assets leased from the financial sector is forecast to rise by about 20 per cent.

The DTI said all manufacturing sectors except mechanical engineering are expected to invest more in 1989 than in 1988.

plans may have to be scaled back. Long-term rates are more likely to affect decisions than shorter-term base rates.

Interest rates take time to bite investment

The fall in company liquidity in the past year could restrict scope for funding investment and increase the impact of higher interest rates. But finance can also be found on, for instance, the corporate bond or equity market.

 Profit incentives. Barlier this year the Treasury esti-mated the rate of return in the private sector has risen to about 11 per cent in real terms before tax, almost certainly encouraging further investment. Among forecasters, however, there are fears that the expected economic slowdown and higher inflation could lead to a significant profits squeeze. Psychological or expecta-tions effects which determine

investment decisions.

These factors lie behind attempts by the Treasury and

behaviour. Its model looks at factors such as output growth, liquidity, tax allowances and the cost of capital relative to

Results supplied by the Ernst & Whinney Independent Treasury Economic Modelling club, which has a copy of the Treasury model, give some insight into how higher interest rates might bite.

Taking a rise in base rates in isolation, the effect on manufacturing investment is small. A one point rise to 14 per cent is estimated to reduce manufacturing investment by just 0.6 per cent after about two

When feedback effects are added in, however, the impact of interest rates on the variety of determinants of capital expenditure is more pro-nounced: investment by manufacturers is affected by the knock-on impact on output, consumer spending and an expected appreciation of ster-

At the same time the cost of capital rises as external funds are hit by high interest payments and equity funding becomes more expensive. Two years after a one point rise in base rates, manufacturing investment is 2 per cent lower than it would otherwise have been and is 3 per cent lower when all the effects have even-tually worked through.

This may underestimate the full impact. The Treasury model could underplay the pos-sibly powerful impact of a change in sentiment by manufacturers. Even if every economic variable is pointing in the right direction, business-men will not invest if they are nervous about the future.

So far there is little sign of this happening. Surveys by the Confederation of British Indus-try and others point to a high level of confidence among manufacturers that has only recently begun to show signs of edging lower Investment in the UK by car manufacturers such as Toyota and Nissan has almost certainly been attracted by a relatively low-wage work-force and the prospects of

That said, sentiment remains prone to upsets - a shock rise in base rates that is perceived as a panic measure, or exaggerated reports of the economic slowdown.

Commission to raise brewery competition

PROPOSALS by the European Commission to boost competition in the brewing industry are likely to go further than the British Government's own plans to reform the tied house system, EC officials said yes-

Moves to alter the system. which allows brewers to make cheap loans to privately owned pubs - free houses - in return for a promise to stock their beers, are already the subject of fierce lobbying in

The tied system could be reduced further when Brussels publishes its review of a 1984 ban on exclusive purchasing agreements later this year. A spokesman for Sir Leon

Brittan, Commissioner for Competition policy, said the review was likely to "go rather further than what the British Government appears to be con-sidering at the moment." The review could jeopardise British brewers' hopes that they might be able to rely on

EC law to help them retain their traditional loan ties with independent publicans, which are likely to the challenged in the UK Government's separate

It indicates that aggrieved British brewers are unlikely to get much political help from Brussels if they want to cite the block exemption to fight the Government's forthcoming desiration on a March report on decision on a March report on tied houses from the UK Monopolies and Mergers Com-

The report, now being considered by Lord Young, the UK
Trade and Industry Secretary,
recommends no brewery

Britain is awaiting Brussels response to a possible com-promise over the limit on foreign shareholdings in Rolls-Royce, the aero-engine group, writes William Daw-kins.

Brussels threatened legal action against Britain earlier this year on the grounds that its 15 per cent celling on non-UK holdings in the for-mer state group flouted EC free trade and investment however, while the sides search for agreement.

The main element of the

outline deal is to lift the foreign shareholder cailing to 25 per cent. Another element may be to issue a separate tranche of non-voting shares.

should be able to own more than 2,000 pubs and they should adopt far more flexible loan ties with free houses than at present. It also calls for curbs of restrictive purchasing agreements. Lord Young's department has over the past few weeks been in negotiations with the brewers with a criti-cal meeting scheduled for tomorrow.

He has had several discussions on the issue with the Commission, and the Office of Fair Trading, which will have to implement some of Lord Young's eventual proposals, is anxious to prevent brewers watering down the plans at national or EC level, say offi-

The Brussels authorities will need several months to change the clock exemption, formally due to run out in 1997, once Sir

Rothschild to fund technology companies

By Peter Marsh

N.M. ROTHSCHILD, the UK merchant bank, is planning an unusual venture-capital fund aimed solely at financing companies involved with materials

The fund, for which the bank hopes to raise £20m over the next two months, is intended to back new European companies involved in areas such as medical implants, industrial enzymes, high-temperature engine components and magnetic materials for use in elec-

Rothschild, which plans to gain the cash for the venture from a range of investors including financial institutions and manufacturing companies, is launching the fund in con-junction with Scientific Generics, a UK technology consul-

Under the Rothschild plan, Cambridge-based Scientific Generics will advise on investments. It may also second staff to help in technological developments undertaken by companies that the Rothschild

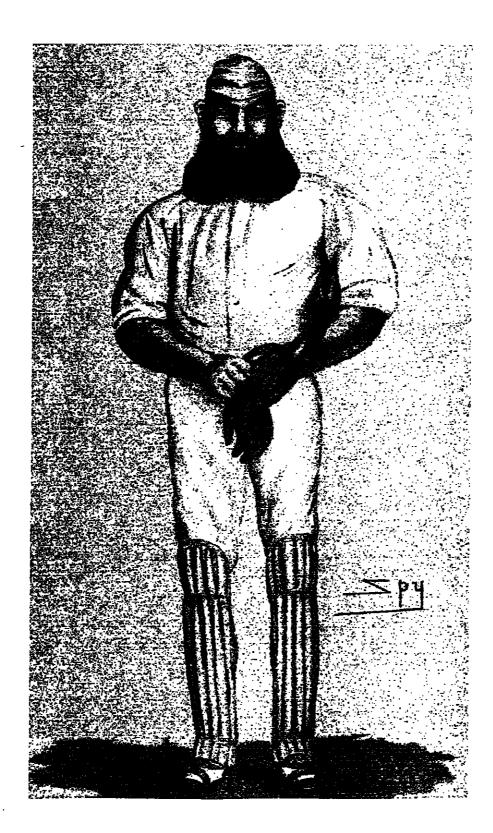
Scientific Generics has a staff of more than 100 who spe-cialise in materials technolo-gies related to fields such as electronics, chemicals and life

executive with responsibility for the materials fund, said he thought the liaison between his bank and Scientific Gener ics broke new ground in devel-opments related to venture

He said other venture capita funds failed to gain the best value out of their investments because of a lack of detailed expertise in technology on the part of the funding organisations. "By bringing in Scien tific Generics we are gaining a huge amount of new resources to help us evaluate proposals,

The materials fund aims to back new companies through capital injections of up to 50 per cent of the businesses' total equity. Mr Street said he thought most investments by the fund would be worth between £50,000 and £500,000.

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MANAGEMENT: The Growing Business

🔰 mall firms do not plan ahead. They are too busy responding to day-to-day crises to look beyond next week, let alone next year. That, at least, is the conventional wisdom. Eut don't tell that to Roger

Harrison, chairman and managing director of Stratford House Developments. He is thinking ahead 10 years for his 18-month old property development company. This may look ambitious for a business employing only five people and with turnover in its first full year of just £575,000 but Harri-

son is convinced of the value of forward planning.
"We felt quite strongly that we needed to have a mediumand long-term strategy for the company as well as dealing with short-term tactics," says Harrison. He wants his business to be of sufficient size in 10 years' time to be able to go for a flotation on the Unlisted Securities Market.

Stratford House, based in Stony Stratford, Buckinghamshire, has to think ahead because of the age profile of its four directors, Harrison explains. Two are in their early fifties and will probably be wanting to find a market for their shares in 10 years' time. For Harrison and his fellow directors, planning has meant looking at the likely development of profits; at the funds which will be available to the company in a few years' time; and at its staff needs. More

originally planned from residential property into commer-But Stratford House is not the only growing business to

immediately, it has persuaded them to diversify earlier than

Strategy

The value of planning ahead

Charles Batchelor explains why, even if today's crises have to take precedence over tomorrow's business, time should be found to lay the ground for future expansion

plan for the future. "Throughout the 1970s and early 1960s smaller companies lived for the day and dealt with the day's problems," says Peter Moon, head of Professional Personnei Consultants (PPC), a Huntingdon, Cambridgeshire-based consultancy. "Since 1986, however, about 10 per cent of my clients have become excelient long-term planners. They are making five and 10-year

"People are becoming more ware of how to do business planning from the point of view of managing their busi-ness and not just for the purpose of raising money," notes Anthony Bond of the business services division of accoun tants Peat Marwick McLintock. This increasing interest is reflected by strong demand for

the business planning option of the Enterprise Initiative. (Stratford House was helped by Peat Marwick under the initiative.) The initiative, which meets half the cost of up to 15 days of consultancy advice, also covers subjects such as design, marketing and quality

Business planning accounted for 1,200 of the 10,000 consultancy projects which have been started, according to the Department of Trade and Industry. Against initial expectations the business planning

option has appealed strongly to smaller companies. Forty per cent of business planning contracts are for firms with up to nine employees - a higher proportion than for the other options under the initiative.

Companies which are taking up the business planning option come from a wide mix of sectors, says Alan Horn, a director of 3i Consultants, which has carried out a number of assignments. High technology businesses, industrial companies and service organisations are all showing increased interest in the subject of planning.

The reasons for this growth in interest vary. For some busises it is a response to external changes, for others it reflects the stage they have reached in their own develop-

"Size triggered out decision," says Keith Butters, founder of the Spalding, Lincolnshirebased importer and distributor of potted plants which bears his name. The company made as name. The company mage a pre-tax profit of £340,000 on sales of £7.8m in 1988 and employs 100 permanent staff.

"We are a family company and we played things by ear until we reached the £5m turnover mark a couple of years. over mark a couple of years ago," says Butters. "Then it became increasingly difficult to manage. The decisions we

were making were getting more serious. If we made any mistakes they were also more serious. The competition was also getting more organised." Butters and his fellow directors sat down in early 1988 and worked out a five-year plan for They their company. They researched their market and

growth Assuming they retain their 8 per cent share of the market Butters' turnover should reach £15m by 1993. But calculating what their capital requirements would be showed that the company would only be able to finance its own growth up to a turn-over figure of £12m so by 1991 it will be looking for additional

sources of finance.

Planning forces a company to look at all aspects of its business. Conventionally these are grouped into four main areas: Strengths, Weaknesses, Opportunities and Threats SWOT. SWOT-analysis forms the mainstay of much business planning.

By looking at its operations under these headings a com-pany can identify what its priorities should be and direct its efforts to areas of potential difficulty. Planning highlighted things which we might not have realised were so important - such as the need for more rigorous financial con-

For Keith Butters training emerged as an area which needed particular attention. Previously, he admits, the company had paid only lip service. Now, with the help of PPC, Butters has a programme ranging from inhouse company that the programme ranging from inhouse company. ing from in-house courses for production workers to business made projections of future school training for managers.

Butters is 57 and plans to step down as managing director in two to three years. He is currently grooming his two sons and one other senior man-ager for the managing direc-tor's position. If none of these three seems likely to make the grade within the next 18 months Butters plans to look externally to fill this slot.

James Hall & Company, Preston, Lancashire-based wholesale food distributor, is planning its staff requirements even further into the future. A family-owned company with 300 employees and turnover of 290m, Hall has the contract to supply retailers belonging to the Spar and VG trading groups in the north of England

Ian Hall, joint managing director of the 125-year-old company, says he thinks "15 to 20 years hence in terms of peopie." He adds: "I am continually looking for people who may be directors in 20 years' time."



Property developer Roger Harrison and recently converted rectory: Felt strong need for medium and long-term strategy

Staff and management training is a very long-term business but other aspects of a company's development can only sensibly be planned over shorter time scale. James Hall is currently developing its fresh and chilled food business to meet expected increases in puters which will be needed it

ahead while warehouse and handling space can be planned five to six years in advance. Does the planning process produce upsets for managers who have previously run their business in an ad hoc way? Peat Marwick's Anthony Bond thinks not. "Quite often it serves as a reconfirmation from someone outside the business that they are doing the

right things," he says. "I would be surprised if we found a red bot winner which the management did not know about."

This may be so, but forcing businessmen to think ahead occasionally produces consider-able change. John Lawrence, managing director of Sale-south, a Milton Keynes, Buck-inghamshire-based automotive group, was one of the first people to make use of the Business Planning Initiative.

Lawrence says that even before he began talking to the consultants he was aware that the two sides of his business, one distributing components. the other "remanufacturing" used motor parts, would come into conflict with each other for funds as they grew.
"The consultants produced a

comprehensive forecasting model, a fancy spreadsheet, to evaluate the alternatives," he recalls. "The results were quite dramatic. We demerged the two businesses. My former partner runs the parts distribution business and I am on the remanufacturing side. The planning process crystallised what were quite difficult subjects for a small company to

Even if planning does not produce big changes it can be quite a challenge for the grow-ing business. Keith Butters describes it as "painful and very time consuming." He adds: "We had to double and treble check everything to make sure we had got the numbers right. But having done it we feel a lot happier. We have got a benchmark, as long as we are disciplined enough to keep the plan up to date. I felt very vulnerable without a plan."

pposition by Britain's small firms' lobby groups to the Government's plans for a uniform business rate shows no signs of abating.

e Forum of Private Business, which has 13,700 members, renewed its offensive earlier this month with an attack on the proposed transition arrangements intended to limit the impact of the rate changes on smaller businesses. Some small businesses could face increases in their rateable value of

up to 23 times, the Forum claims. This is three times the average increase which the Government estimated and could lead to those businesses which are hardest hit paying nine times their present rates bill.

Small businesses will be particu-larly affected by the changes in the rating system, the lobbyists argue. On average, rates swallow up 15 to 25 per cent of small businesses'

Rates transition 'guesswork' under fire

pre-tax profits compared with only 1 to 5 per cent of the profits of public limited companies (plcs). In addition, small retailers are usually unable to benefit from the zoning of shop rates which decrease as the distance from the street frontage

What particularly worries the Forum is that the Government's calculations are still based on hiland Revenue estimates and not on the actual revaluations which will be used in the new system. The Government had hoped to

put forward the transition arrange-ment in the form of an amendment to the 1988 Local Government and Housing Bill, which comes before the Commons this week. But the introduced until the bill reaches

the House of Lords committee stage at the end of July. This delay may give time for the actual revaluations to be made and these figures, hopes Stan Mendham, the Forum's chief executive, will persuade MPs

to modify the transition scheme.

The Forum is making much of the fact that the impact of the new rating system, which comes into effect in April 1990 will be felt in the run-up to the next general elec-tion. It warns MPs they risk losing an average of 50 small firms per

The Forum has calculated that as many as 40,000 small retailing ses could be put out of business by the proposed changes. It believes that government plans to phase in the rating changes, to lessen their impact on small firms, do not go far enough. The Government has set a 15 per cent annual ceiling on increases for businesse with a rateable value of below £5,000 (£7,500 in London). This threshold should be doubled, the

Forum argues.
This point has also been made strongly by another lobby group, the National Federation of Self Employed and Small Busines which has 50,000 members. It has calculated that in only one town, Newtown in mid-Wales, could a typical small business, occupying 2,500 square feet of workshop ice, expect to be below the £5,000

The federation has calculated that the Premier Restaurant in Grantham, which occupies the site

Margaret Thatcher's father, would suffer an 89 per cent rise in rates when the uniform business rate is

The Government has a three-fold aim in introducing the new rating system. It wants to make local authorities "properly accountable"; to achieve a fair spread of the bur-den on business; and to allow businesses to plan ahead by giving them stable and predictable rates

To achieve this the government has set business rate poundages -the number of pence in the pound which are levied by the local authority - at a uniform level across the country and to allow them to increase by no more than the rate of inflation each year. But there are two important

practical problems. Rateable values have not been updated since 1973. The Government says poundages will go down to compensate for any increase in rateable value – a rate of 30-35p in the pound would be needed to raise the same amount of money in 1990/91 as the average rate of 240p in the pound levied in England in 1989/90.

But economic patterns have changed over the past 16 years and some areas and properties will now be assessed at a far higher rateable

value relative to other areas than was the case in 1973. The second problem is that sharp rises in rental values, on which rates are based, will mean that the most buoyant regions of the country and the most buoyant sectors of

the economy will face the sharpest

increases. Retailers in the south-east will be particularly hard hit while manufacturing companies in the north and Midlands will bene-

The Government says that secondary shopping centres and neighbourhood shops are less likely to face large increases than the large retailers who tend to occupy the prime High Street sites, but the small business groups are not con-

To avoid a sudden increase in costs the government will freeze business rates in 1990 at the level of 1989 and allow a phasing-in after that period. The Forum and others say that no amount of phasing-in will help businesses that have been made unprofitable by the increases while for some businesses which survive, the phasing-in period could take as long as 20 years.

Charles Batchelor

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Look Back In Anger

Kenneth Kenneth Branagh's Renaissance Theatre Company revival of John Osborne's Look Back In Anger raised over \$50,000 in Belfast last week for the Northern Ireland Council for Voluntary Action and the Ulster Youth Theatre. On Sunday night, in the presence of the Prince of Wales, considerably more was raised for Friends of the Earth. And that, after a grand total of eight per-

formances, is that.

This is regrettable. There is far too little high class invective and passion in contemporary drama, even on the parti-san political wing, for Osborne's 1956 classic to be rendered superfluous. It still bristles with choleric anguish and retains a delightful ability to shock. Jimmy Porter has an idea that you are a contemptible emotional virgin unless you have watched someone die. Churchgoing is treachery. He hopes his wife Alison has a child and loses it.

And as for good, brave causes being non-existent pace the Prince's note in the glossy brochure, would Jimmy really have forked out for any organ-ised social conscience appeaser like Friends of the Earth? No, the good, brave cause was always only himself, raging energetically away in a small Midlands town room. He is a lovable monster with the gift of the gab and a talent for

The great thing about Bran-agh's blistering performance is that it works as a self-destructive comic turn. This Jimmy is a vaudevillian manqué whose routine Sunday of railing against newspaper review sections (though no columns are half-written in French any-more, hélas). Cliff's intellectual slothfulness, and Alison's despicable tolerance, is, in fact,

primarily a comic routine.
The Strindbergian qualities of the marriage between a Colonel's daughter and a frus-

sity not even red-brick but "white-tile" has been well noted. But Branagh explains Jimmy's affliction as some-thing much deeper than a social chip on his shoulder. His tirades are an element of what passes for his spiritual fulfil-ment. He defines himself by them, tests his own vitality.
They are pitched for an audience, with a wink, a shuffle of the shoulders, and a venomous music-hall timing. The minute Gerard Horan's beautifully inflected hangdog Cliff leaves the room, Branagh shrinks painfully to the uncomfortable decibel level of ordinary conversation. He is pathologically incapable of being kind to peo-ple except as a gesture to point

up a more general indifference. Misogyny is part of it. Femi-nist critics have often called for a Jenny Porter to redress the balance. But Jimmy is surely his own worst enemy. Emma Thompson's wonderful Emma Thompson's wonderful Alison, a brisk, lissom girl who returns a broken, sobbing and self-abasing character like Nina in The Seagull after she has lost the baby, is a victim of the mayhem he causes. Their "squirrels and bears" reunion avoids the Tynanesque stricture of whimsicality by clearly projecting a tragic ambiguity. We can also see the play as a fussle for Alison between Jimmy, her emotional saviour, and the actress friend Helena (Siobhan Redmond), whom (Siobhan Redmond), whom Jimmy callonsly seduces, thereby winning back his wife. Edward Jewesbury's puzzled Colonel Redfern represents the security and values Alison instinctivally knows she must

instinctively knows she must reject, at whatever cost. Maybe Judi Dench's fine pro-duction will receive a reprieve from whoever controls the London stage rights. I cannot believe Osborne himself would not be prepared to sanction it. and a much larger audience certainly deserves to be

The Fall of the trated sweet-stall proprietor with a degree from a univer-Michael Coveney House of Usher Simple Writings Even before composing Pelléas et Mélisande, Debussy had thought of making short operas out of two Edgar Allan Poe tales, "The Fall of the House of Usher" and "The Devil in the Beliry." Almost until the end of his life he fiddled with sketches for them; and his "Usher" fragments were published 10 years ago

The Duke of Cambridge is a small pub theatre in Kentish Town which, like many other small pub theatres, occasionally hits the jackpot. Where it is showing signs of developing its own distinctive character is in its partiality for sloshing dramatic quarts into the pintoct space of a really rather unaccommodating L-shaped

The resident company, Cracked Mirror, did so interestingly recently with a Celtictinctured *Peer Gynt.* The visiting Theatre Plastique do so again with a dramatisation of Grimmelshausen's picaresque novel from the mid-17th century, Simplicius Simplicissi-mus. David Wilson's dramatisation, originally made for television, comes to the stage with a cast of 10 who give themselves ably and ebul-liently to the task of peopling

Grimmelshausen's world.

A succession of scenes take us from the orphaning of the child Simplex, through his conversion and education by an old hermit and his adventures as an innocent adrift in a bad world, to his final return to contemplative solitude. In the background and sometimes the foreground, rages the Thirty

The astonishing thing to

emerge from this production is that the novel has not been dramatised before: it is witty, bawdy, and as profound as anyone cares to consider it.
In the portrayal of Simplex as a wide-eyed naif, involun-tarily slung into the fleshpots of a hypocritical society it sacrifices some of the novel's redemptive force: Dom Foster's otherwise convincing Simplex endures rather than enjoys the temptations of the flesh. But the temptations themselves are painted vividly, lewdly, with high points including a finely-staged ball attended by painted knaves in grotesque friezes of

Director Michael Walling does great things with a stage whose focus, a large heap of peat, becomes workplace, grave and even horse and carriage while providing a dusty, emblematic reminder on the play's moral theme. The handling of guitar-accompanied songs written by Paul Howard-Jones with Walling's own lyrics typifies this fitfully first-learning the state of the sta class production: at first trite and out on a limb, they find a haunting Brechtian power in the beautiful deadpan delivery by Valerie Weyland of a ballad

about bodies in the Rhine. Claire Armitstead

Natural talent drawn out by the prize

William Packer reviews the National Portrait Gallery's 10th Portrait Award Exhibition

The Portrait Award Exhibition for 1989 at the National Portrait Gallery opened last week (until September 3), the 10th in an annual series now so well established that we might almost begin to take it for granted.

This year's show of 42 works is as strong as ever and, since it has been more rigorously selected than any of its predecessors from an ever-swelling submission, a little celebration is in order. The first toast must be to

John Player & Sons, who have been sole sponsors of the Award since its inception. The visual arts are now a commonplace of commercial sponsor-ship, but in 1980 the picture was not quite so clear. The revival of interest in figurative art was not then so certain, and to support what was still

and to support what was stul seen as a narrow and rather hackward-looking interest was a brave thing to do.

The level of funding that seemed extravagant at £7,000 to the winner alone simply upped the stakes for other such schemes to match. That figure schemes to match. That figure schemes to match. That tighte now stands at £10,000, still a substantial sum though no lon-ger uniquely so: which is a measure of the provocative success. This year, for the first time, it is shared; but only in spirit, for each winner receives the full amount.

In retrospect, the Portrait In retrospect, the Portrait Award can be seen to have been just the right thing at just the right time. Back in December 1980, I had to admit to some misgiving. It was, I thought, based on the questionable premise that portraiture needed saving. It was not that artists would not paint portraits, but that so few people ever to asked them to do so. All the significant figurative All the significant figurative painters of our time had produced distinguished portraits, having made or been given the

were published 10 years ago with orchestrations by Juan

ing scholarly debate about how

much pure speculation went into the Allende-Blin versions,

but also intense interest in the

shards thus exhumed and

made accessible.
Francisco Negrin, by no

means the first producer who has wanted to stage them, devised a Spitalfields perfor-

mance in 1986; and lastweek-end we had his full-dress ver-sion for the Downshire Players

of London on the South Bank. The performance did credit to

everybody involved, and yet left most of us with the melan-

choly conviction that nothing

can make the "Usher" frag-ments add up even to a plain

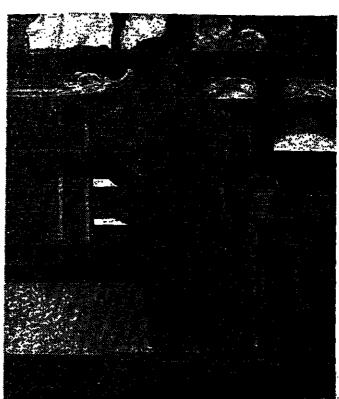
It is tempting to suppose that since Poe's tale, or its transmogrification in the com-

poser's libretto, has its own

eerle momentum, it ought to make good theatre and carry

the tantalising, exiguous bits

of Debussy with it. Here, Negrin did find a



Joint winners of the 1989 Award: "Portrait with brown overalls" by Paula A MacArthur (left) and "Lynn Dennison" by Tai-Shan Schierenberg

opportunity, and yet the myth persisted that the portrait was dying out. Perhaps it was not unfair to say that the Company was playing safe with what should be fairly uncontroversial, popular art.

I am now happy to say that over the years I have been proved both right and wrong in the nicest possible way. From the start the Award flushed out younger artists (under 40) active across a much broader range of painting than that of the declared portrait painter with a brass plate on his studio door. It made the portrait respectable once more for even the most radical and ambitious

cogent and striking way of staging the story - and the result was to emphasise the

painful lack of notes at crucial paintill lack of notes at crucial places. Probably it skewed the intended character of the whole score, too, for the predominance of worried, intro-

spective music at moderate tempt in the extant sketches

may be mere accident. Above all the final scene, toward

is cruelly starved of music: a real Barmecide feast. Usher's excessively adored sister has been buried; his friend aims to distract him by

reading aloud from an ancient, gory saga - but the ghastly real sounds which accompany

the reading betray Lady Made-leine's struggles to escape from

her premature grave in the vaults below, and she duly sur-faces as Usher's bride and nem-

esis while everything founders.
Wonderful possibilities for electronic sound! Had Debussy had that on tap, he might have felt able to complete his score. But

in fact, where the action demands an inexorably sus-

tained, climactic nightmare, he got no further than drafting a few anxious phrases.

Those, and the longer arioso

Those, and the longer arioso passages earlier, were sung fervently by Henry Herford, logrid Attrot. Steven Varcoe and James Meek; they coped well — especially Herford — with all their spoken French,

of artists to take on, and every year paintings have appeared that are far from safe. The effect was felt in every art school in the kingdom, and

just when the model was returning to the life-room. It is not by chance that so much of the best painting over the years, and several of the win-ners, should be the product of the Scottish art schools, in which the disciplines of life drawing had never been dises-tablished.

This year, for once, there are no manifest oddities - which is no bad thing, and fewer small paintings, which is a pity. What remains is, for the most part, strong in image and presentation and well made. It is particularly good to see a number of highly creditable essays in those most testing of genres of the the portrait, the full length and the conversation piece. Indeed the large full-length self-nortrait by full-length self-portrait by Paula MacArthur, a young painter still at Loughborough College of Art, a grand and confident statement by any measure, is unlucky not to have kept the first prize to

But I know the problem, for I was a judge myself for five of the years and this time even the short-list must have been hard to separate from the general body of the exhibition. I particularly admired Elizabeth Rowe's ambiguous self-portrait, seated at her dressing table in a long white dress; Christine Ironside's Glasgow

School Ms Sunderland in her black hat and striped jumper, black hat and skriped jumper, Cherry Pickles' self-effacing seated figure, and Michael Corkrey's Claudia, seen from above. None was short-listed.

Of those that were, Peter Edwards' large portrait of the poet, John Heath-Stubbs, should surely go into the permanent collection straightness. away. The other first prize goes to Tai-Shan Schierenberg

for another large seated figure, and one of peculiar expressive intensity, unkempt and in her dressing gown at the kitchen table with a plate of fish upon her knee. She too, in another year, might quite rightly have had the Award to herself.
The regular success of students in the Award reminds us

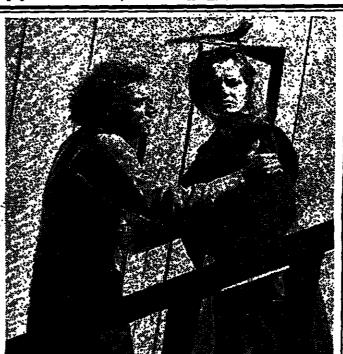
that despite the constant attri-

tion of ever-reduced funding,

resources and official support, the fine art departments of our art schools continue to nurture remarkable talent. This is the season of degree shows throughout the country. By their very nature, all will vary wildly in kind and quality, student by student, but all will contain stimulating and covetable work. There is no better hunting ground for the collec-tor willing to test his judge-ment against future reputament against future reputation, and at very reasonable cost. I can do no more than recommend direct enquiry to particular colleges for details. In the meantime, the degree shows of the fine art schools of the Royal College of Art are already open to the public (Kensington Gore & Queen's Gate SW7: until June 17), with the design schools' shows to follow in early July. The general resurgence of abstract painting is clearly evident in painting is clearly evident in much confident and accomplished work, with that of Zoe Benbow, Marco Cotton and the more restrained canvasses of Tom Benson outstanding. Of the sculpture, I was particu-larly taken by the simple metal bells and obelisks of Charles Hadrock and the symbolic fig-ures of N.N.Rimzon, from Ker-ala in India. But most remarkable of all is the installation by Yvette Martin: a banqueting hall, table, chairs and candels bra made entirely of brush-wood, as it were a Cocteau set

for the castle of the Sleepin

Beauty remade by Roland



Henry Herford and Ingrid Attrot

too, and looked suitably haunted. (Perhaps the Doctor's evil green frock-cost was a mistake, too like a Dapertutto for Tules of Hoffman. Nigel Low-ery's fine Expressionist designs flung a staircase across the stage at a crazy angle, and planted the whole shadowy castle in a money Poe tarn castle in a proper Pos tarn.
Through which everybody had
to splash, sooner or later: do
singers get danger money for
performing in wet boots?

With the Downshire Players, Peter Ash conducted expertly what there was to conduct. Usher was preceded, unfortunately, by a good idea gone direly wrong. Jean Epstein's silent film La Chute de la maison Usher was hadly projected on a screen of the wrong shape and size, and intermittently accompanied by French pieces arranged for piano duet and

two winds: dreadful.

June 9-15

PREMIER BUDGET **ACCOUNT** INTEREST RATE **CHANGE**

RECENT INTEREST RATE MOVEMENTS HAVE MADE IT NECESSARY TO REVISE THE INTEREST RATE CHARGED TO ACCOUNT CUSTOMERS. THE NEW RATE CHARGES ON THE OUTSTANDING BALANCES ON PREMIER BUDGET ACCOUNTS WHERE PAYMENT IS MADE AUTOMATICALLY BY A BANK WILL BE 2.55% (EQUIVALENT TO 35.2% APR). FOR ACCOUNTS WHERE PAYMENT IS BY OTHER METHODS THE INTEREST RATE WILL BE 2.75% PER MONTH (EQUIVALENT TO 38.4% APR). THE VARIATION WILL BE REFLECTED IN STATEMENTS PRODUCED ON OR AFTER 21ST JUNE 1989.

THIS NOTIFICATION IS IN ACCORDANCE WITH CLAUSE NO. 6 OF THE CONDITIONS OF USE FOR PREMIER BUDGET ACCOUNT.

THE CREDITOR UNDER PREMIER BUDGET ACCOUNT IS THE BANK OF SCOTLAND, NWS HOUSE, CITY ROAD, CHESTER X, CH99 3AN.

ARTS GUIDE

OPERA AND BALLET

Royal Opera, Covent Garden, Further performances of the Royal Opera's 1988-89 season prestige event: the new production of *Il Tronatore* by Piero Paggioni, conducted by Bernard Haitink, with Piacido Domingo in the title role.

Royal Ballet, Covent Garden.
On June 15 the Royal Ballet per-On June 15 the Royal Ballet per-forms The Sleeping Beauty. English National Opera, Coli-

seum: David Blake's comic cham-ber opera, The Plumber's Gift. Lionel Friend conducts, Richard Lionel Friend conducts, Richard Jones is the producer, and the cast includes Sally Burgess, Eiddwen Harry, and Anh Howard. Also in repertory: The Mastersingers, with Gwynne Howell, Alan Opte, Alberto Remedios and Jane Eaglen, and Don Gionanni, with Steven Page in the title role. in the title role.

Paris

Grand Palais Des Champs Ely-sées. Bejart Ballet Lausanne presents in the framework of La Danse en Revolution the world emiere of 1789...et nous with choreography to music by Theo-dorakis, Wagner, Ravel and Afri-can folk music (48787515). Palais des Congres, The Queen of Spades, Warsaw Opera's orchestra and choir conducted by Robert Satanowski. Porte Maillot (bookings 47581404, info Theatre de la Ville, Happy Birthday, Mr Nikolais performed by the Nikolais Dance Theatre

Muziektheater, Netherlands Opera production of *De Monerie* by Louis Andriessen, directed by Robert Wilson, with Reinbert de Leeuw conducting, James Doing and Wendy Hill in the leading roles. (Wed). The National Ballet with a Balanchins programme comprising Sermade, Tchaikovsky Pas de Deux, Violin Concerto, and Th Deux, Violin Concerto, and The Prodigal Son (Tue, Thur) (255

Volksoper. Andrea Chenier conducted by Anton Guadagno, with a cast including Axelle Gall, Peter Koves and Jaroslav Stainc. Premiere of Elektra, conducted by Claudio Abbado. Tristan and Isolale conducted by Heinrich Hollreiser and sung by Gwyneth Jones, Mariana Lipovsek, Walde-mar Ementi. Don Giovanni con-ducted by Ivan Fischer. Also Kiss me Eate, conducted alternatively by Herbert Mogg and Courad Artmuller. Ballet: Dornröschen, conducted by Peter Reuschnig, and Verklärte Nacht, conducted by Till Schirmer.

Teatro Alia Scala. Francesco Teamo Aim State. Francesco Cilea's Achinna Lecourress con-ducted by Gianaphrea Gavazzeni. Mirella Freni alternates with Natalia Trottskaia as the tragic Natalia Trottakaia as the tragic heroine. (30.91.26). Teatro Lirico. Three works per-formed by the Scala ballet com-pany. Serenade by George Balan-chine to Tchaikovsky. The Lesson by Flemming Flindt, and John Cranko's The Lacky and the Leaf (36.04.16). the Fool (86.04.18).

Opera: Theatar des Westens. Roland Petit's ballet *Les Intermit* teaces du Coeur la revived, also a guest performance from the National Ballet de Marseille in Boland Petit's show Java for Ever with Zizi Jeanmaire and Eric Yu-An in the solo parts.

Hamburg

Opera. Franz Schreker's opera Schategrüber has regained popu-larity, thanks to Gerd Allmecht, brilliant as conductor with Gabriele Schnaut and Josef

Opera. La Traviata has Frances Ginzer, brilliant in the title role. Also Cost fan Tutte with Ashley Putnam, Andrea Andonian, Deon van der Walt, Teresa Ringholz and Ludwig Baumann, Lohengris has a first-rate cast led by Wil-liam Johns in the title role, Har-ald Stamm, Mechthild Gessen-dorf and Eva Randova.

Opera. Ariadne auf Nazos stars Giebriele Benackova, William-Murray, Susanne Mentzer, Peter oos and Richard Co Lastballet performance of Rhapsodie/Theseus and Ariadne, cho-reographed by Yuris Vamos.

Frankfurt

Opera. La Bohème has fine interpretations by Gyoargyi Banza, Karan Huffstodt, Keith Olsen and Ryan Scheznayder. The succassful opera debut of the Lievi hrothers La Clemenza di Tito production returns with a new cast led by Helena Doese, Daphne Svangelatos, Kimberly Barber and Keith Lewis, Rigolatto, offisred for the last time this season, is sung by Jonathan Summers, Juri Zinovenko, Michal Shamir and Franco Farina.

Opera. Il Barbiere di Siniglia is encellently sung by Julie Kaufmann, Cornelia Wulkopf and David Hampson. Die Soche Makropulos will be conducted by Peter Schneider. Der Rosenkand-Ber in Otto Schenk's traditional production features Lucia Popp, Julie Kaufmann, Ann Maursy and Kurt Moll. Also in repertury: Salome with Helga Dernesch, Walter Raffeiner and Bodo Brinkmann, and a Stravinsky ballet evening to choreography by John ng to choreography by John

New York

American Ballet Theotre. The week features Mikhail Baryahni-kov's stagings of Suon Loke and Don Quinote. Sesson ends July 1. Lincoln Center Opera House (362 6000)

Washington

Deutsche Oper Berlin. During its fortnight's visit, the company performs *Der Ring des Nibelun-*gen in one complete cycle. Ends June 18. Kennedy Center Opera

Leningrad Philharmonic

Barbican Hall

Though the Leningrad visitors gave a good account of themselves on Sunday, in the Harold Holt/Barbican "Great Orchestras of the World" series, the foreground was decisively occupied by their conductor and their soloist. The latter was Dmittl Alexeev, on breathtaking form at the pisno in Rakhmaning's "Paganhi" in Rakhmaninov's "Paganini" since last year is Yuri Temir-kanov, himself a virtuoso solo-ist on the podium. Mussorgsky's Pictures at an Exhibition were defined by the high-visi-bility personal attentions he lavished upon them. Proko-fiev's "Classical" Symphony had been scratched from the programme, leaving the orchestra only Weber's Oberon overture to display their collective mettle.
It showed up well. The can-

didly impassioned strings made their music vital far beyond routine, and the broad cajoling tone of the Leningrad brass might have pleased Weber more than the impersonal precision favoured nowa-days in the West. The wooddays in the West. The wood-winds had sap, though their balance was unreliable — sometimes we lost their top line, even in the organ-episodes of Mussorgsky's "Great Gate." in Mussorgsky and also in Rakhmaninov, however, what Temirkanov was doing with the scores competed in interest the scores competed in interest with the actual execution. Like Rozhdestvensky or Bernstein, he commands by expressive mime, surely aimed as much at

the audience as at his players The Pictures were given in the familiar Ravel orchestra-tion — not, I think, one of that master's unequivocal suc-cesses: too obvious titivation of the piano original, and rawer experiments than he ever indulged in his own scores. He cosmeticised Mussorgsky's lean profiles. This time, the sounded as if the player were standing up in a spotlight (the trumpet who translates Mussorgaly's piano-shivers for the "poor Jew" gave him a military dash), and Temirkanov went out of his way to emphasise Ravel's wilful embroidery. But it was a fascinating reading, mined with bright ideas and sudden suggestive swerves, set off by extreme tempi that made one hear details anew; one missed only the sturdy, abra-sive plainness of Mussorgsky's

No less sophistication was applied to the Rakhmaninov Rhapsody, and again the pulse ran to extremes, hell-forleather or teasingly languid.
The music can take that very well, and with Alexeev's immaculate playing – fresh, witty, thoughtful – the performance. mance was a rare tonic. Too often, technical efficiency in this piece passes for good enough. Alexeev and Temirkanov weren't content to make resounding effects, but traced the composer's thought with eager imagination.

David Murray

Jessye Norman

The Philharmonia packed the tightest legato binding. The them in for Jessye Norman's conductor, Giuseppe Sinopoli, account of the Strauss Four provided no counterbalance of Last Songs on Sunday. These rhythmic fluency; Strauss's songs were first performed by crepuscular warmin and ten-Kirsten Flagstad; one was derness were made statuesque, remninded of the fact by the even static.

Way Miss Norman flooded the On its own terms, though, a first, "Frühling", with a soar rich performance, eloquently ing, hall-filling amplitude of supported by the Philharmonia tone — the sort of effect only players, particularly the wind the most generously proportioned soprano voices can gramme, and so the concert achieve. The scale of the whole opened with Sinopoli's heavy performance was specious, the reading of Don Juan, and

and confidence, unmoving. Music Director's artistic diva-There seemed to me a central gations was touchingly loyal; want of spontaneity— in the third song, "Beim Schlafenges hen", each word was given its individual filling of tone, with the result that the lines lacked

Max Loppert

achieve. The scale of the whole opened with Sinopoli's heavy performance was specious, the reading of Don Juan, and style calmly serious, the canclosed with his quite agonizinated that proclaimed this an denleben. Every call for expresintelligent and notably obsersive phrasing in Strauss's score vant singer as well as a grand markings was treated to this one. The very highest notes conductor's quite special brand thinned out (though each one of elephantine rubato; was held to its full value); oth—"romantic" sections of the erwise, the vocal layout of each score and, above all, its long, sone was remarkable in connostalgic close were lingered erwise, the vocal layout of each some was remarkable in control and dynamic range.

This singer is now so much and so widely loved that one feels like Public Rnemy Number One for daring to find her Strauss, for all its grandeur orchestra's response to the straight of the public Director's artistic divergence. and confidence, unmoving. Music Director's artistic diva-

(This superlative is taken from Britain's leading consumer magazine.)

FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL Telephone: 01-873 3000 Telex: 922188 Fax: 01-407 5700

Tuesday June 13 1989

Gorbachev in Germany

PRESIDENT Mikhail Gorbachev's visit to West Ger-many, which began yesterday, must rank as one of the most important developments in East-West relations since the Soviet leader came to power in 1985. But it is an event which will have to be handled carefully by both sides if it is not to raise false hopes about what

Probably for the first time since the end of the Second World War, West Germany is being wooed by the US and the Soviet Union as the major player on the European stage. After four decades of being classed as an economic giant and a political dwarf, it has at last reached political adulthood. The arguments over nuclear weapons within Nato have shown that Bonn is no longer prepared to swallow passively all the traditional medicines prescribed by its main western allies, such as the US, France and Britain.

That is not as dangerous a development as some fear. In a western alliance which, over the past few years, has shown itself to be distinctly short of imaginative ideas, West Ger-many has been in the vanguard of those who have called for more emphasis to be put on dialogue with the East. Certainly, the highly optimistic analysis of recent develop-ments in the Soviet Union and eastern Europe on which this policy is based is disputed by some of its partners, not least by Mrs Thatcher. But the joint eclaration issued after the recent Nato summit in Brussels demonstrated that even the most reluctant of the other members have come round to the view that greater efforts must be made to foster political and economic relations with the East.

Positive attitude

West Germany is therefore not stepping out of line in giv-ing Mr Gorbachev a warm wel-come and adopting a positive attitude to the Soviet leader's stated desire for closer rela-tions. Bonn's western partners cannot ignore the fact that Germans regard the forging of a more friendly relationship with the Soviet Union and other eastern European countries as a stepping-stone to a possible reunification of their

In spite of all the euphoria surrounding the Gorbachev sures that he is under, it would be most surprising if Chancellor Helmut Kohl were to make rash statements or commitments. Moscow has yet to provide real evidence that it is prepared to modify in any fundamental way the division of Europe fixed by the Yalta agreement. Indeed, it is clear that Mr Gorbachev's "common European house" can only remain an empty shell as long as the Soviet Union and its allies have not fully adopted democratic political practices and a market system which will make a reality of economic co-operation. In any other cir-cumstances, it is difficult to see how anything more than a superficial relationship can be established between the European Community and Com-

Alarm in UK

What is causing most amxi-ety among West Germany's partners is its attitude towards defence. Those, like the British Government, who believe that nuclear weapons are the ulti-mate guarantee of peace in Europe, have been alarmed by the warm response that Bonn has given to Mr Gorbachev's st arms control initiatives.

The Soviet leader's desire to the Soviet leader's desire to denuclearise the whole of Europe is supported by a large body of German opinion. The Chancellor's hands are tied, however, by a Nato policy which clearly states that the alliance's defence must continue to be based on a mix of nuclear and conventional weapons, reinforced by last weapons, removed by ast month's agreement that negoti-ations on short-range nuclear weapons should not begin until substantial results had been achieved in reducing conventional weapons.

That agreement required a substantial concession by West Germany which had originally called for a much speedier timetable. If nothing else, it must have demonstrated to Mr Gorbachev that West Gerremains intact and that his efforts to detach it from the alliance, however ingenious, will be rebuffed.

The brain drain in perspective

IN 1987, the top eight UK or the remuneration of top law-emigrant economists were yers, doctors or managers. It is cited by their peers almost as frequently as the entire 50strong economics faculty at the London School of Economics. The point was made by three of the UK's best labour economists (who are themselves leaving for richer pastures in the US) in order to counter the Government's argument that no "brain drain" exists because there is a net inflow of academics. Quality is what matters in British universities, they said, and it is dropping fast.

In fact, even the crude fig-ures for inflows and outflows do not support the Govern-ment's optimism. The Association of University Teachers points out that, with the excep-tion of 1985, outflows of senior staff (professors, readers and senior lecturers) have exceeded inflows every year since 1980. The overall inflow is positive only because more junior staff enter than leave. But even these figures may be misleading because many of Britain's brightest Phd students leave immediately for jobs abroad: they do not appear in the fig-ures because they have never been employed by a British

Loss of stars

An analysis of the quality of staff inflows and outflows has not been conducted in other subjects. But anecdotal evidence strongly suggests a similar haemorrhage of talent. There is broad agreement that the loss of a few stars dispro-portionately affects the perfor-mance and morale of depart-

Mr Robert Jackson, the Minister for Higher Education, argues (see letters opposite) that universities only have themselves to blame. If they have failed to retain their stars, it is because they have not paid them enough: the brain drain is caused primarily by misplaced egalitarianism. This argument is not wholly without merit: greater pay dif-ferentials would ease retention problems. But the universities' room for manoeuvre is not great because of the low level of average salaries. The average rate for professors is about 230,000, far below the comparable grade in the Civil Service

yers, doctors or managers. It is difficult to argue that most professors should forgo pay increases altogether in order to find a little extra for the stars, whose salaries would often need to be tripled to remain competitive.

Inimical climate

In any case, pay is not the only problem: British academics have never enjoyed salaries comparable to those available comparable to those available in the US. Many of the brightest are leaving because they regard the present climate as inimical to serious academic work. They are not prepared to devote their energies to fund raising, public relations and the defence of departmental budgets and mannower allocabudgets and manpower alloca-tions. They are depressed by the profession's loss of prestige (the result of constant sniping from politicians), the ebbing away of morale and the "greying" of departments: the proportion of staff aged under 35 has halved in the past nine

Mr Jackson regards this as a demographic problem which is afflicting the whole of Europe. Again, there is truth in this: large numbers of young staff were appointed during the boom of the 1960s and early 1970s. But the squeeze on universities during the 1880s was far tighter than it need or should have been. Britain sends only 15 per cent of 18-year-olds into full-time higher education and appropriate the services of the services and appropriate the services and services are services and services and services and services and services a education and expresses plous hopes about doubling this proportion sometime in the next 25 years. Do ministers not realise that a newly developed economy such as South Korea aiready sends almost 30 per cent of 18-year-olds to univer-

Human capital is arguably the most precious resource in any economy. As the decades pass, the correlation between economic success and educational attainment will become increasingly obvious. A university brain drain, if it continues, will become a real drain on the economy. The Government should accept its responsibility to finance higher pay, where it is necessary, while continuing to encourage institutions to seek other sources of revenue.

Robert Mauthner on the plight of the world's 14m refugees

iolent events in China have diverted the world's attendiverted the world's attention from a tragic situation just off-shore in Hong Kong, which might otherwise have dominated the headlines — the plight of the Vietnamese hoat-people, of whom some 75,000 are languishing in camps in east and south-east Asia. Nearly 40,000 of them are in Hong Kong

They will be the main subject of an international conference on Indochinese refugees opening in Geneva today. But desperate as the situation of the boat-people is, it is only the tip of the iceberg of a world refugee problem which has begun to run out of control. Recent natural disasters and regional conflicts have hugely inflated the numbers of displaced persons and

asylum-seekers.

Now totalling some 14m, the international refugee population has been described as the Fourth World by Wilhiam Shawcross, author of several books on the subject. Fundamentally, however, it is a Third World problem. Only about 10 per cent of the refugees are to be found in the western industrialised countries, while the remaining 90 per cent — some 13m — are spread around the Third World, mainly the African continent, the Middle East, south-east Asia and central America.

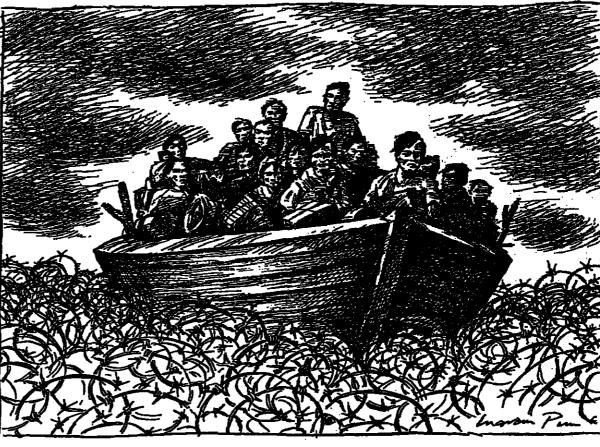
The "host" countries are among the poorest in the world and thus the least capable of dealing with the influx of refugees, who themselves represent the most deprived and least educated segments of their native countries. A few examples underline the problem. Pakistan has had to absorb more than 3m refugees from Afghanistan, and Iran more than 2m Agnanistan, and han more than 2m from the same country. Malawi, with a population of only some 7m and one of the lowest per capita incomes in the world, has had to cope with about 620,000 Mozambicans.

620,000 Mozambicans.
By the end of 1988, according to United Nations figures, there were over 685,000 refugees in Ethlopis, including two large national groups: Sudanese in the south-west and Somalis in the south-east. At the same time, the countries from which there are the countries from which the countries from the count refugees were fleeing were themselves taking in refugees from the other side of the border. Thus, by the end of last year, Somalia had played host to some 834,000 Ethiopians and Sudan to about 650,000, not to speak of tens of thou-sands of Chadians and Ugandans. These countries could not deal with

an economic and social problem of this magnitude without substantial international aid, much of it chan-nelled through the United Nations High Commission for Refugees (UNHCR), which depends mainly on voluntary contributions from me states. Refugees have to be found shelter, clothes, food and medical sup-plies in regions often devoid of the basic infrastructure and natural resources capable of sustaining large movements of population. But sums such as the \$32m (£20.6m) allocated by the UNHCR to Ethiopia out of its total general programme budget of \$429m for 1989 fall far short of what is

required.
In its review of activities for 1987-88, the UNHCR said: "The capacity of host governments, which have been rich in generosity, but poor in resources, to cope with the influxes, has become increasingly stretched to its furthest limits. The resulting human misery and suffering, the socio-economic dislocations and upheavals and the widespread insecu-nity do not portend well for the near future either."

There is nothing new about the problem. Enforced mass migrations have occurred throughout the world's history. The slave trade across the Atlantic over the centuries was one of the largest, involving an estimated 10m Africans. In the 17th century, a



A world lacking in safe havens

religious persecution in France. But the Huguenots were often skilled people, able to make an important contribution to the economic and cultural life of host countries such as England and the Netherlands. Nor were they prevented from making a new life for themselves, whereas refugees in the camps on the Thai-Cambodian border

camps on the Thai-Cambodian border have spent up to 10 years in camps waiting for resettlement.

What has changed in the 20th century is the general perception that refugees pose a humanitarian problem and should be an international responsibility. That is the theory, at

voking racial unrest, according to UK the development and proliferation of officials.

Apart from the sheer magnitude of Apart from the sheer magnitum of present-day refugee flows, what has troubled Western governments most — with the exception of Canada and possibly the US — is the origin of the asylum-seekers. Most of the involuntary population movements in the first half of this century took place within Europe, not least as the result of the two world wars. But Europe and north America experienced rela-tively little difficulty in absorbing the millions of refugees, displaced persons and prisoners-of-war who survived the Second World War. Demographic and

LARGEST REFUGEE GROUPS Cambodia Afghanistan Palestinians 5,751 2,268 Sudan . Mozambique Burundi 11.22 **Ethiopia** Rwanda El Salvado

developed world, with only a few exceptions, often feel obliged to put efore humanitarian considproblem, they can put forward more or less convincing economic and social arguments for their restrictive immigration policies. To open the UK's doors to more than 3m British passport-holders from Hong Kong, for instance, would exacerbate a serious unemployment situation, put intolera-hie strains on an extended social secu-

rity system and run the risk of pro-

economic factors played their part but the process was facilitated by the ethnic and cultural affinities of the efugees and the host countri

Over the last 30 years or so, often as conditions in newly independent countries, most of the migrations have taken place either within the developing countries or from the Third World. In the words of Mr Jean-Pierre Hocké, the UN High Com-missioner for Refugees: "Liberal asy-lum traditions have been joited by the new reality of asylum seekers coming new reality of asylum seekers coming directly from faraway lands through

air transportation systems.

"There is a growing perception in western countries that their generosity in providing homes not only to refugees emanating from their own region, but also to large numbers of refugees from other regions, is being overstrained and, in some cases, abused by ordinary fortune seekers."

Less diplomatic observers have noted that when countries like noted that when countries like Britain, West Germany and the Netherlands are short of labour for their public transport systems or fac-tories, the feeling that they are being overstrained or abused by immigrants

becomes less acute and openings appear in doors that, at other times,

are double-locked.

What is meant by the word "abused" in this context is that many asyium-seekers are not real "refugees" as defined by the 1951 UN Convention relating to the Status of Refugees and its 1967 protocol. A refugee, according to this oft-quoted document, is a person who "owing to well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his nationality and is unable or, owing to such fear, is are double-locked. unable or, owing to such fear, is unwilling to avail himself of the pro-tection of that country."

attempt by the international community to lay down a definition not limited to specific groups. But, when applied to the present situation, it has serious shortcomings. Based on the concept of individual persecution, it was not designed to deal with the large-scale inflowers of refugees which have since become the norm. have since become the norm.

The great majority of today's refugees and asylum-seekers in Third World countries do not correspond to the formal definition of the UN con-vention. They are not all victims of persecution because of race, religion, nationality or politics, but fall into a wider category of people who leave their homes and countries because their lives and security are threatened by famine, armed conflicts or other

forms of violence. In particular, UN officials argue, too much emphasis is placed by governments wishing to exclude immigrants on the distinction between "genuine" refugees and so-called "economic migrants." A report for the independent Commission on International Humanitarian Issues has pointed out that, while people who left El Salva-dor and Haiti may well have wanted to have a more prosperous lifestyle, they may also have wanted to escape from some of the worst human rights violations in the world."

It is equally disquieting that, whereas international law recognises whereas international law recognises the right of a person to seek asylum, it does not oblige states to provide such refuge. Even people who clearly fall within the UN convention's definition of "refugee" do not have the automatic right of asylum in any particular country. That remains a matter for national discretion, which is being used increasingly restrictively by developed countries suffering from "cumpassion fatigue."

With Hong Kong continuing to be swamped by Vietnamese boat-people at the rate of 500 a day and the British Government clamouring for international approval of "mandatory repairiation" for them, even the hallowed UNHCR principle of non-refullement (not senting back) appears no longer to be sacrosanct. That principle clearly calls on the international organisation to ensure that refugees

clearly calls on the international organisation to ensure that refugees are not forcibly returned to a country where they have reason to fear persecution. Though it is conceivable that an agreement may be reached with Vietnam ensuring that returnees are not maltreated — as has been concluded for the few who have returned voluntarily - it will be much more difficult for the UNHCR to monitor a

much larger number of cases.

A broader definition of refugee st tus, such as the one contained in the Organisation of African Unity's 1969 refugee convention, which states that member states shall use "their best endeavours consistent with their endeavours consistent with their respective legislation to receive refugees," still would not cover refugee situations with complex and multiple causes. Neither would it deal effectively with the growing reluctance of many states to open their doors to large numbers of Third World refugees

The UNHCR has some admirable The UNHCR has some admirable achievements to its credit, not least the resettlement of more than 1m Indochinese in more than 30 countries since the end of the Vietnam war in 1975. However, the number of resettlement places has declined while the number of asylum-seekers is still increasing. The ratugee problem, it is increasingly recognised, can no longer be dealt with by humanitarian assistance alone.

tance alone.

In the words of Mr Hocké: "You cannot prevent people who have compelling reasons for leaving their country from fleeing to another country for refuge. You must address the reasons which prompted their flight."

The best hope of a satisfactory solution to the problems of millions of

tion to the problems of millions of Afghan, Palestinian, African and Indochinese refugees, therefore, remains the prospect that the recent improvement in superpower relations will bring viable regional settlements in its wake. Only such a development will persuade asylum-seekers to return home voluntarily, which remains the UN body's preferred solution.

Davy beats the tanks

■ Some commercial life goes on in China, despite the politi-cal turnoil. Roger Kingdon, chief executive of Davy Corpo-ration, tells the story of how his company decided — partly on official advice — to recall all but a handful its non-Chinese staff last week.

when the message was passed last Wednesday, however, two of the Davy employees turned what Kingdon calls a "Nelson's eye" to the signal. Ivan Phillips and Mel Pearson were staying in a Peking hotel, in the closing stages of negotia-ting a multi-million dollar fer-

tiliser deal. They said they
would have "some difficulties"
in arranging to leave.
"What's it like out there?"
they were asked, "Well, there's
a tank outside the window and
some others coming towards
it "Then the other towards it." Then the other tanks turned back, so they said that confrontation had been avoided. They stayed.

Negotiations with the China **National Chemical Construc**tion Company continued across Peking by telephone telex and fax for the next two days. Agreement was reached on Friday, leaving only the final documents to be signed. The Davy men were not allowed to leave the hotel, and

to arrive by car. So on Saturday the client took to his blcy-cle and dropped in at the hotel to conclude the deal. Phillips and Pearson left China on Sunday, and indeed even Davy's permanent office staff have now been withdrawn. According to Kingdon, that does not matter too much

for the time being, since Davy has full confidence in its

the Chinese were not allowed

locally employed office manag-Davy has won about 50 con-tracts in China in the last eight years. Only one of them has not been paid for in cash. Kingdon says that whatever the regime in China, the country will always want fertilisers,

OBSERVER

so it's worth going on talking. The deal signed last week, incidentally, is for a plant at_ Xuanwei and the contract will be handled by Davy's engineer-ing centre in Lakeland, Flo-rida. Davy's last annual report said that the Lakeland base would be closed because of lack of orders. It is partly China's interest in fertilisers that has given it a reprieve.

Wrong man

■ Roy Hattersley recalls that when he was a junior minister in the Foreign Office, he went to Hungary on business only to be told by the British ambas sador that the Prime Minister had resigned. Hattersley tried very hard to remember whether the Prime Minister or the General Secretary of the Party was the most important figure in the country. Then he realised that the resig nation was Harold Wilson's.

Trousers down ■ Imagine Peter Brooke, the

chairman of the Conservative Party, posing for a picture in a glossy magazine with cricket trousers around his ankles. It is not inconceivable that his trousers might fall down, but he would hardly go round making a show of it. Lee Atwater, Brooke's oppo-site number in the US as chair-

man of the Republican National Committee, appears in the latest issue of Esquire magazine, saluting with his tracksuit trousers around his feet, and was not caught The 38-year-old Atwater is

a somewhat unconventional Republican chairman. He belongs to the play-it-tough. and if necessary dirty, school of politics of the kind championed in the Nixon White House. As George Bush's cam-



paign manager last year, he was responsible for some of the most negative themes: notably the focus on Willie Horton, the black murderer who raped a white woman while on parole from a prison in Michael Dukakis's home state of Massachusetts.

Atwater has taken these techniques into his new job, launching an ethical crusade against Democrats. This back fired last week when Mark director, was forced to resign after writing a memo smearing the new Democratic Speaker,

Tom Foley.

Bush described the memo as "disgusting," but said he accepted Aiwater's protestations of ignorance - a view not shared by everyone in Washington. Even those who gave Aiwater the benefit of the doubt argued that such smears were a natural result of his style of politics.

Atwater has survived, for the moment, thanks to the backing of the President. Yet the episode, coming in the present fetid atmosphere of allegation and counter-allegation in the capital, has raised again the question of the two faces of George Bush: the rec-onciler who can tolerate Atwater-type tactics.
"Is he George the Ripper or George the Gentle?" the New

York Times asked yesterday. It is not a good summer in

A kind of Hess The death of Jose Lopez Rega, known to admirers as "el brujo" (the wizard), has bought another chapter of murky Argentine politics to a close. The former police sergeant

most powerful — and most feared — side is said to have died of a heart attack last Fri-day at the age of 72. Freemason and author of many books on astrology (in which he occa-sionally revealed details of his private conversations with the Archangel Gabriel), Lopez Rega idolised Juan Perun, and was rewarded for that by being

was rewarded for that by being appointed Minister of Social Welfare in May 1973.

He used that position to create the "Asociacion Anti-Commista Argentina" or Triple-A, whose death squads assassinated those unfortu-nates singled out by Lopez Rega as anti-Peron. That definition was elastic.

He disappeared from Argentina in May 1975, only to be extradited from the US in July 1986 on charges relating to Tri-ple-A activities. Since then he had awaited trial in Buenos Aires: the Rudolf Hess of Argentina whom no one really wished to bring to court because his appearance could have embarrassed too many

Like for like

■ In a Lambeth market last week a stallholder was display-ing a book in a sealed wrapper labelled: What Every Small Man Longs For. Asked what was inside, the stallholder said it was a copy of Little Women.

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LETTERS

Dealing with the brain drain

From Mr Robert Jackson MP. Sir, I was very interested to see your report (June 8) that three academic economists going to work in the United States had demonstrated that emigrant economists are of higher quality than those who remain behind. This is a welcome effort to bring some rigorous analysis to bear on an issue where discussion is usually more anecdotal than con-

For its part, the Government accepts that, while international exchanges are welcome, and while the crude numbers show that there is a net inflow

of academic talent into Britain, there is a problem of, first, some younger academics unable to find permanent appointments in Britain, and second, of some senior scademics attracted by higher salaries

Europe, and is a consequence of the 1960s "bulge" in recruit-ment, combined with the degree of job protection in aca-deme. The Government has sought to address the problem by spending £173m on prema-ture retirement compensation and "new blood" posts in the

The Outhwaite plan at Lloyd's

From Mr Anthony Mitchley. Sir, Your report and com-ment (June 9) on the rejection Lloyd's of the "Outhwaite plan" raises important issues, but it is difficult to see how the Lloyd's council could have of Lloyd's ("name") on its board of directors. Where a syndicate remains open after the three years, this should trigger certain sanctions: a ted differently without setting a precedent for the 75 other overdue unclosed years general meeting of all syndi-cate members; appointment of of account outside auditors; the appointment of a committee of inspec-

You suggest that Lloyd's "looks for practical remedies." For the past, it is difficult to agine any remedy which did not involve making invidious distinctions between one loss and another. For the future, it remains an anomaly that syndicate members play no part and have no say in the running

To cap it all

From Mr A.J. Dawesey. Sir, Lord Vinson (June 8) misses the central point. The Government should be criticised not for putting a ceiling on the tax deductibility of pensions but for doing this by stealth and without proper debate. If the Government had wished to avoid the charge of acting disingenuously, it should have proposed a lower ceiling and indexation according to earnings growth rather than the RPL

Sadly, the reliance on inflation to do the politicians' dirty work still seems to be a feature of British political life in spite of - or perhaps because of Mrs Thatcher's revolution. A.J. Dawesey, 6 Bigwood Road, NW11

Hardy perennial

From Mr F.B.W. Pope Sir, "Welders Are Told to Take Off Contact Lenses" (May 22) is a return visit, for the third time, of a story that originated in the US.

It first surfaced in the UK in the mid-1970s, when it related to a shipyard worker alleged to have stripped the cornea from his eyes through contact lenses becoming welded to the surface after exposure to a welding flash. After about three years the story came back again, and in 1977 the Health and Safety Executive issued a bulletin from which I quote:

. .there was no medical evidence to support the theory that contact lenses could have this effect. Not only does the use of contact lenses, whether glass or plastic, present no additional hazard to the eye, it might well provide some pro-tection against an arc flash by reducing penetration of ultravi-olet light". But the HSE did advise that in the event of an exposure to a flash it might be sensible for the wearer to remove the contact lenses immediately, and not to replace them until the irrita-tion had subsided.

Your reporter did not check Your reporter did not check the facts sufficiently before publishing such a misleading story. I trust you will now put your readers' minds at rest. F.B.W. Pope, Health and Safety Consultant, Hogg Robinson Gardner Moun-tain

tain, Phoenix House, l Station Hill, Reading, Berkshire

From Professor Mike Faber. Sir, At the recent Interna-

The entry problem for the young is general throughout

of their syndicates. unclosed years should continue to be shrouded in a greater Every syndicate should have degree of secrecy than closed years, and that no special regi-men is imposed other than to demand payment from syndito have an AGM and at least one unrelated external membe

The Lloyd's Act 1982 may have resulted in a plethora of by-laws and regulations, with a top-heavy hierarchy of council. regulatory bodies and commit-tees at the top (evidenced by an increase in expenditure of ment of a commune of inspec-tion comprised of external "names" of that syndicate, as well as closer supervision by the committee of Lloyd's. 60 per cent aince 1984 against a static premium income), but the gulf between syndicates and their members continues Although this may be like bolting the stable door after the syndicate should have to yawn. Anthony O.R. Mitchley, 15 Bryanston Square, WI

mid-1980s, and spending an

estimated £180m on new aca-

demic appointments and pre-

mature retirement compensa-

tion under the current

restructuring programme.
So far as the problem of the brain drain of "stars" is con-

cerned, I am surprised that the

economists do not seem to

recognise the part played by

rigid national pay structures in universities. In the Govern-ment's view, insistence on pay-

ing all staff at the same grade

the same salary must cause dif-

ficulties to arise in some areas

including the retention of "stars" attracted by higher sal-

aries in the American aca-

demic market-place. That is

why we have pressed for an

increased discretionary ele-

ment in academic pay, and more market-oriented pay

arrangements in British uni-

many academics who blame

the Government for the "brain

drain" - such as it is - resist

the most appropriate means of

Department of Education and

From Mr Nick Mitchell.
Sir, We must all hope that
Mr Gerald Kaufman, the UK

Shadow Foreign Secretary, will

be promoting his latest views on sanctions on his forthcom-

on sanctions on his intercha-ing visit to South Africa.

That is, presuming the views he expressed on television in connection with China apply

should not impose sanctions because it would reduce our

influence with the Chinese

British Industry Committee on

Sir, Philip Chappell (Letters, June 12) puts words into my mouth insofar as he suggests

that the National Association

of Pension Funds accepts any-

thing other than a cap of

260,000 linked to earnings. I

doubt whether this important debate is helped by the use of phrases like "the pensions

It is interesting that Mr Chappell regards the Chancel-lor's proposal as "a most signif-icant reform." That is why it

should have been preceded by a green paper - in accordance with the Chancellor's piedge in

Director General, NAPF, 12-18 Grosvenor Gardens, SW1

Hiccups in UK

From Mr Stephen Gibbons. Str., Richard Brown (Letters, June 9) suggests that the UK 1988 Employment Act prevents unions from disciplining mem-

bers who take unofficial action.

whereas that act prevents a

union disciplining members

who refuse to take part in industrial action.

a three-to-one vote in favour of a strike and — following one decision in the seafarers' dis-pute — it may be that the union will have to discipline such an individual if it is to avoid legal penalties.

The union, on the other hand, has no powers to disci-pline an individual who

chooses to ignore an over-whelming vote in favour of a

strike.
On the question of London

Underground's reluctance to

Underground's reluctance to pursue those responsible for recent stoppeges, has it crossed Mr Brown's mind that there is a case that those involved are actually acting within the bounds of the law as it stands? Present events, in particular the Court of Appeal's decision in the dockers' case, show that the present law is biased and unjust. The fact that the International Labour Organisation standards are violated by the UK's labour laws demonstrates the sad state reached.

the sad state reached.
Stephen Gibbons,
Haldane Society of Socialist

The true position under the law is that a union may disci-pline a docker for striking after

labour law

his 1985 Budget speech.

Michael Elton,

45 Great Peter Street SW1

No feather

From Mr Michael Elton.

in the cap

scandal."

equally to South Africa:

Government

Nick Mitchell,

dealing with it.

Robert Jackson

Elizabeth House,

York Road, SE1

Sauce for

the gander

What puzzles me is why so

Trying to make the cap fit

From Mr lan Bowers. Sir, Mr Alan Smallbone (Letters, June 2) welcomes the removal of some of the tax shelters for pensions for those "highly paid" who change jobs after June 1. He sees it as improving labour mobility. That is not the case.

The proposals in the 1989 Finance Bill leave the "higher paid" employee who changes jobs with unpleasant alterna-tives. He/she can accept a reduced death-in-service hump sum and reduced final salary pension. He must then argue for the increased salary with which to buy, for himself, the missing cover - if he can agree what is required each year. This will raise the cost to the employer by at least 75 per cent of providing the same top slice of benefits. Or the

employer can contract to pro-vide the benefits on retirement through an "unapproved" scheme. Again, this will increase the costs, and still

give rise to a new tax charge to

the employee. While most employees are in final salary pension schemes the new pensions cap will greatly restrict movement. Employees will not accept the uncertainty of the new provision for the future without a considerable increase in compensation. Employers will not either accept the increase in costs, or the creation of two classes of employees with substantially different compensation package Ian Bowers,

Benis Marks Hous



Drums and trumpets

From Mr Henry Bear.
Sir, Many of us may think that Mr Mandleberg (Letters, June 1) was more than generous to those who would sell our heritage to a bureaucratic conglomerate just to fulfil ide-

alistic dreams.
He could have mentioned that the referendum was not to take us into Europe. The UK government of the day had already taken up membership, and the referendum asked — as I remember it — whether we riched to confirm that decias I remainder it whether we wished to confirm that decision or to pull out. The typically English attitude was that if we had joined, it were best left that way; another victory for political manipulation.

As the winds change, who apart from Mrs Thatcher will save Britain from the Euro-crats? As a Euro-socialist

training shape, and sundry comissioners start banging their tin drums and trumpeting, our socialist party is suddenly (but Brede, East Sussex.

not unnaturally) all in favour of complete surrender of Brit-ish sovereignty. I still find it hard to believe that Mr Heath really wishes to condemn his country to such an ignomini-ous fate. This was not the picture originally painted for the The rest I leave to Sir Walter

Scott:
"Breathes there the man, with soul so dead, Who never to himself hath

This is my own, my native land! whose heart hath ne'er within him burned, As home his footsteps he hath turn'd From wandering on a for eign strand! If such there breathe, go, mark him well; For him no Minstrel rop tures swell . . ."

'It can best be described as camouflaged debt forgiveness'

zen. As an earnest of its good intent, Country X recommences debt service payments to the bank and the IMF, but is not required to do this for all tional Monetary Conference in Madrid, some top commercial bankers asked why official ther creditors.
To cushion the impact on Country X's balance of payments, the IMF and the bank creditors, including the inter-national financial institutions (IFIs), were not subjecting their own loans to third world debtors to the same process of voluntary debt reduction as inspire the formation of a "sup-port group" of well-disposed governments which undertakes they have been urging on the commercial banks.

The answer is that, very tentatively and cautiously, they are. The process can best be approximately equivalent to the service payments that will

need to be made. described as camouflaged debt Now the question of paying forgiveness – and it is meant to operate something like this: Country X is a chronic off all remaining arrears to the IFI and the bank has to be tackled. That is done by arranging for a commercial bank to provide X's government with a bridging loan roughly equivalent to the arrears owed. debtor, with arrears so large that it is obvious that the whole debt cannot be fully serviced, let alone repaid. However, the government of X has consessed the error of its past With the proceeds of the loan the arrears are paid off. The staff of the bank and the ways, declared its willingness to reform, and has even negotiated with the International Monetary Fund the terms of a shadow letter of intent.

IMF are now able to report to their respective boards that the loans have been properly sar-viced throughout the gestation period, the arrears have been duly paid off, and a rigorous The arrears to the IMF and the bank are at this point fro-

new programme has been accepted by X in the context of the new stand-by credits and structural adjustment loan that are being proposed. With these facts before them, the respective boards grant approvals and the loans go

The money itself, once it is received, goes immediately (almost all of it) to pay off the bridging loan. At which point the sceptic might ask: "What, then, has been achieved?"

What government X does not get - at least in the short term - is substantial net new funding from the IFIs. But (if you listen to their staff) that is a small matter compared to the benefits likely to flow from enforced policy reforms. In the short term, the net new fund-ing is expected to come from renewal of bilateral flows.

But government X also bene-

fits from the fact that a substantial proportion of the new credits and loans will be sup-plied on significantly easier terms than those which applied to the arrears and

loans they replace.

The bank and the IMF benefit too. Their balance sheets are improved through a reduction in the arrears they are owed, and in the proportion of their assets constituting doubt-ful debts. Of course there is a cost for this. Projected interest receipts are also reduced, even as the likelihood of their actually being received is improved. (There is a clear par-allel here with what is on offer to the commercial banks under one modality of the Brady Plan.)

The procedures described above are still in their formative stage and have not yet been extended to the countries which are of most concern to commercial bankers. They will not, by themselves, remove the enormous debt overhang. For all that, the IFIs' cautious moves towards camouflaged debt forgiveness are rational and deserve to be encouraged. Mike Faber, Institute of Development

days heads of state spend most of their time flying back and forth, and Mr Gorbachev has a penchant for foreign travel. He is not the only national leader to find his opposite numbers abroad more polite and more amenable, and foreign crowds more enthusiastic, than he can usually count on them being at home. He is probably more

ikhail Gorbachev has

So what? Nowa-

arrived in Bonn.

popular in every Nato capital than the local politicians. Why should he not go to West Germany and be popular there

Of course there is no reason at all. But it is quite evident that his reception in West Germany causes anxiety, not perhaps in every Nato capital, but certainly in London, Paris and Washington.

Last week in London the Royal Institute of International Affairs held a conference entitled The Federal Republic of Germany: a Proven Ally of 40 Years. Two German ministers came to London to reassure us that the Federal Republic is indeed an irreproachably loyal ally. One of them, Mr Lothar Spath, is the minister-president of Germany's economically most successful Land, Baden-Württemberg, and the favour-ite to succeed Chancellor Helmut Kohl as Christian Demo-crat leader. The other, Mrs Irmgard Adam-Schwätzer, is a member of Mr Hans-Dietrich Genscher's free Democrat party and his assistant in the Federal Foreign Foreign Office. So much reassurance betrays the presence of a nagging doubt. Mrs Adam-Schwätzer bridled with a show of outraged innocence at a British newspaper's assertion that "the seduction of West Ger-

the seduction of West Ger-many by Mr Gorbachev pro-ceeds apace." Eighty per cent of the people of my country," she countered, "are convinced of the necessity of our Nato membership." Yes, but that is not the issue at this stage. From time to time, the Warsay Pact does issue rhetorical appeals for the dissolution of both military blocs, but Mr Gorbachev has certainly not come to Bonn to persuade the Federal Republic to walk out of

The issue at this stage is not whether Nato, but whither Nato. Mr Gorbachev seeks to influence Nato as a whole particularly on issues of nuclear armament and disarmament. He also wants Western investment to oil the creak-ing wheels of perestroiks. On both points he gets a more helpful response from Bonn than from other major Western capitals. His undoubted popularity in West Germany, and the influence that it has on

FOREIGN AFFAIRS

Too close for Nato's comfort

Edward Mortimer looks at the reasons for Mr Gorbachev's popularity in West Germany

West German political leaders, There is a micro-answer and a are clearly useful to him. Some Western defence spe cialists are puzzled and irri-

tated by what seems to be a 180-degree turn in the German attitude to nuclear weapons over the last 10 years or so. For much of its history the Federal Republic has clung, almost obsessively, to the American nuclear umbrella. Being the front line in the Cold War, it knew very well that it would be overrun and devastated in any imaginable scenario for a conventional hot war. Its interest in deterring conventional war was obvious and its great fear was that, not being a nuclear power itself, it might not get the benefit of the nuclear deterrent. Who would believe that the US would risk

macro-answer.

The micro-answer is that it all has to do with the Intermediate Nuclear Forces (INF) treaty, and more especially with the "second zero". In the minds of the Americans who negotiated it, the INF treaty simply removed one essentially superfluous category of lear weapons. The net gain in detail was for the West (since the Soviet Union had to destroy many more warheads than the US did), and the fundamental nuclear equation was unchanged. But the message to the wider public was that the nuclear build-up had now gone into reverse. People assumed that other categories would fol-low: the idea that new nuclear weapons would still have to be

The vast majority of Germans simply do not believe any longer in a real danger of Soviet attack

West Germany from conven-tional attack? All the strategic arguments within Nato from the late 1950s to the early 1980s revolved around attempts to answer that question, and the answers took the concrete form of deploying nuclear hardware in Germany itself. German public opinion never

particularly liked this, but Ger-man political leaders pushed it through because they were convinced that a credible deter-rent was vital to the country's curity, if not survival. Th last time this happened the leaders in question were the same ones – Helmut Kohl and Hans-Dietrich Genscher – who are still in power now. But now they are running before the wind of public opinion inst of standing up to it. Why?

developed and deployed, even to replace obsolescent systems not covered by the treaty, seemed unnecessary, provoca-

tive and perverse.

The "second zero" gave that feeling a special focus for Germans by reducing the category of short-range weapons to a point where the range coincided almost exactly with the size of Germany. The catchnhrase "the shorter the range the deader the German" is of course nonsense if taken literally. More accurate, if less pithy, would be the formula-tion "the shorter the range the higher the proportion of Germans among the dead." But then no one would be dead if the weapon did its job, which is to deter.

The starting-point of the

whole argument (now apparently forgotten) was that the proportion of Germans among the dead in a purely conventional war was likely to be higher still, and that a conventional war would be more likely to happen if there were not a clear risk that it would escalate into a nuclear one, precisely because the superpowers might then think it

could be confined to Germany. But that brings us to the macro-answer, which is much simpler. It is that the vast majority of Germans simply do not believe any longer in a real danger of Soviet attack, whether conventional or nuclear. Why then do they still believe in the necessity of Nato? Presumably they have a residual sense that Nato's exis-tence has ensured their security for the last 40 years and has helped to bring about the present happy state of affairs. Presumably they also feel, as Mr Gorbachev himself argues, that no abrunt step should be taken to upset the present balance and stability in Europe, on which the new detente and the hopes of further disarma-ment and freer communication between the two halves of the continent are based.

An alliance which commits other countries to come to the Federal Republic's assistance costs little in itself (the contingency of German troops being asked to serve on the US-Mexican border being reasonably remote) and may always come in useful. What have come to seem unnecessarily onerous are the specific costs, such as the stationing of nuclear weapons, the interruption of every-day life by low-flying aircraft, or the maintenance of the German army at a level which fall-ing birth rates make impossible without an extension of military service. (British critics of German policy are ill-placed to develop this last point, since Britain has had no compulsory military service at all for the last 30 years.)

Perhaps it is fitting that the Federal Republic, as it celebrates its own 40th birthday and that of the Atlantic Alliance, seems to be coming back to the original conception of that alliance as a purely political commitment. It was Korean War that convinced the allies that a military organisation was needed to make the commitment credible. North Korea's attack on South Korea was interpreted as evidence that Stalin intended to expand the frontiers of the communist world by military aggression. Historians now believe that that interpretation was wrong about Stalin. Can the Germans really be blamed for refusing to interpret Gorbachev's inten-

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FINANCIAL TIMES

Tuesday June 13 1989



BIS says monetary policy cannot correct imbalances

MONETARY POLICY is "at about the end of the road" in trying to correct the global current account imbalances, Mr Wim Duisenberg, President of the Bank for International Settlements, warned yesterday.

Presenting the latest BIS

annual report, Mr Duisenberg said that the continuing gap between the large US current account deficit and the West German and Japanese surpluses was encouraging US protectionism against imported goods and foreign investment and threatened financial mar-

ket stability. Mr Duisenberg's remarks at this year's annual meeting of the BIS in Basle, Switzerland, reflected a sense of powerless-ness among central bankers international monetary policy.
The bank, which acts as a

think-tank and bank for the world's central banks, is tradi-tionally a centre of behind-thescenes crisis management. However, despite the soaring dollar and the presence of central bankers from all over the world, the meetings at the weekend provided no new ini-tiative for tackling the prob-lems of currency fluctuation, inflation and current account imbalances.

Instead, at a joint press conference with Mr Duisenberg, Mr Alexandre Lamfalussy, the BIS general manager, said that now was an ideal time to now was an ideal time to tackle the imbalances by curb-ing US domestic demand. Call-ing for a large cut in the US budget deficit, Mr Lamfalussy said "the world can afford the slowdown of domestic demand in the US" because growth out-

"The choice is not between boom and recession. The choice is between a boom which may get out of hand.

and slower growth," he said.

Rarlier, Mr Dulsenberg told
the BIS annual meeting that the strength of the US dollar would, if it continued, damage efforts to adjust the global However, he warned that

there was not much the central banks could do in the face of strong demand for the US cur-rency. National monetary poli-cies should be directed primarily at domestic price and finencial stability.

They could only influence exchange rates if they were sufficiently divergent, but the

price of such a strategy could be extremely high, Mr Duisenberg added.
Mr Duisenberg said the dol-

(PPSC), are reluctant to share a platform with former Contra

to promote unity, has already

renounced any claim for the presidency and ruled out the

possibility of other Contra

leaders standing. Even so, it is unlikely that a

credible programme for gov-

ernment can be drawn up between such diverse parties

in the opposition group of 12. The biggest obstacle to unity would seem to come from the

centrist conservatives of the

ders. Mr César, in an effort

have weakened after publica-tion of data such as that last week which showed a strong increase in US producer prices. The dollar, however, was supported by unrest in the world. Money was seeking a safe haven in the US following the disturbances in China, just as it had before as a result of cri-

lar was in a special position.

Any other currency would

ses in Afghanistan, Iran and the Soviet Union.

Mr Duisenberg's scepticism about the ability of central bankers to curb the dollar's strength was echoed by Mr. strength was echoed by Mr Karl Otto Pohl, president of the Bundesbank, the West German central bank.

central name.

He said there was no point in central banks providing the foreign exchange market with cheap dollars through intervention only to see them sold

This would then make a

National Assembly of about 100 seats. The problem for the FSLN, the Sandinista party, is that it would then have to win at least 51 of the 90 contested.

seats if it wished to retain con-trol of the National Assembly.

A 10 per cent swing to the opposition, combined with a

wider participation by the opposition than in 1984 (the

right wing abstained then, along with 25 per cent of vot-ers) could break the hold of the

FSLN on the legislature. The opposition would then

take control of the assembly committee structure, have the

power to introduce their own legislation and establish inves-tigative commissions even

though the presidency would remain in Sandinista hands. The presidential veto can be

overturned by a simple major-

ity in the assembly.

The opposition could also take greater control over two key state and institutional

powers - the Supreme Court

again later in the day at a profit by commercial banks. Such action did not give the banks sufficient awareness of risk and encouraged further

speculation in the dollar's rise. Despite his doubts about central bank intervention, Mr Duisenberg said he believed the efforts of the Group of Seven leading industrial countries to manage currency fluc-tuations had been a "relative

Even after its recent strength, the dollar was not far out of the ranges set in the Louvre Accord of February 1987 and the revised Louvre agreement of December that

He also underlined that the G7 countries had set no spe-cific exchange rate targets that were to be met at all costs. Details, Page 8

UK opposes Brussels' social charter

By David Buchan

Britain yesterday stood alone among the 12 European Com-munity states in its opposition, in principle, to the Kuro-pean Commission's proposed social charter for workers

rights. "We are being asked to sign a blank cheque, before anyone has defined what the rights has defined what the rights would be, what they would cost," said Mr Norman Fowler, the UK employment secretary.

Mr Fowler, who was at a meeting of EC labour ministers in Luxembourg, made clear that any general charter with follow-on Community legislation was unacceptable. slation was unacceptable.

Discussion on social policy at the European summit in Madrid at the end of this month now promises to be more heated than the debate on EC monetary co-operation.

At the meeting, the Spanish presidency of the EC sought to sidestep the British block on early adoption of the social

Government beads at the Madrid summit will be presented with a statement saying that labour ministers from 10 of the 12 states endorsed the basic social charter plan. The charter would set norms

worker participation. Denmark abstained saying that, while it had no objection to the draft charter, it must consult its social part-ners—employers and unions—who normally settle such

After foreign ministers held a simultaneous discussion in

progress" on the first stage along the road towards monetary union mapped out earlier this year.

ported a social dimension to the internal market. He equated this with job creation, which he said would be endanwhich he said would be endan-gered by the labour market regulation envisaged by the planned social charter. The UK has added 3m jobs in the past six years.

Had the Commission only produced a declaratory social charter, Mr Fowler said, the

But the Commission had now linked the charter to a subsequent programme of binding legislation. This is the wrong way around of doing it," he said.

Mr Norbert Blum, the West German labour minister, said, however, that job creation issue was unrelated to the social charter.

although profit-taking caused bond prices to pull back from their highs in New York. In late US trading, short-and medium-dated bond issues were lower but the benchmark long bond was still % point higher for a yield of 8.13 per

The rallying dollar, which acts as a deflationary force on

Another pounding for sterling

Yesterday was another classic day on the foreign exchange markets. It began with the dollar showing a fresh burst of strength; and as soon as this had run its course, it was poor old starling's turn again. The pound's trade weighted index has fallen by 2½ per cent since last month's defensive rise in UK base rates. And the longer it is permitted to slide, the greater the uncertainty about the firmness of the Govern-ment's exchange rate policy. It is easy to blame it all on the dollar, but sterling's down-wards drift against the D-Mark cannot be ignored for much longer if the Government's anti-inflation stance is to

retain any credibility.

Indeed, the pound's current weakness has far more to do with uncertainty about UK Government policy than anything else. The speculative flows currently determining exchange rate patterns are driven by a mixture of hunch and charts, and at the moment and charcs, and at the moment the message is that the dollar is going up and the UK author-ities are not doing much to stop the pound going down. Maybe this will be proved to be the wrong interpretation, but for the moment political uncer-tainties are playing a far greater part in such flows than interest rate differentials. A year ago short-term US and UK year ago snort-term US and UA money rates were virtually the same; today there is a gap of 5 percentage points and the pound is weaker than ever, even though it offers a substantially higher yield than

stantially higher yield than any other major currency.

Against this background the current weakness of the gilt-edged market is no surprise. However, the equity market is holding up surprisingly well. Perhaps this is partly to do with economic data, such as yesterday's retail sales and industry investment intentions, which show that the economy remains more robust than supposed and business confidence surprisingly strong. The producer price figstrong. The producer price fig-ures underline the growing a weak currency is not bad for equities, unless it leads to economic overkill.

Unigate

It is a measure of the mar-ket's confusion over brand valof the high price of crisps to BSN did not do more for Unigate's share price. For surely if the greasy old crisp can sell for 27 times prospective earnings, light and healthy St Ivel ought US long bond yield. % 30yr redemption

to do at least as well, or better. And it is only a small step from a valuation of, say, 30 times earnings for St Ivel to a break-up value of as much as £5 a share for the group as a

1983 84 85 86 87 88 99

To judge from the share price, however, the market is not yet ready to make such a calculation in the case of Unigate. The presence of an Irish beef baron on the share regis-ter with nearly 9 per cent of the stock seems to be enough to guarantee the shares a modest premium to the market; but with the stock on only 11.5 times prospective earnings, investors are clearly far from certain that Mr Larry Goodman will ever manage either to launch or to provoke a bid. And with every evidence that the worst is now behind the group - this year's forecast eps growth of 12 per cent or so should at least keep pace with the sector and almost certainly better the market — the win-dow of opportunity could be closing on Mr Goodman. If he is truly interested, he might do well to act while the shadow of salmonella is still hanging over Unigate's profits and before the poultry market recovers some

of its lost sanity.

In the short term, the prospect that Mr Goodman may choose to pounce - or per-suade someone else to do it for him - is at least worth the current 381p. it would certainly be worth much more if that prospect turned to reality; but the market is not betting on it

Emerging markets Without a doubt, there are some great opportunities out ing stock markets. In the lone run earnings should go up with gnp - which in many countries is growing at twice the indus-

even longer run the currency

risk should take care of itself As the average institutional investor can scarcely be sent out bargain hunting in Lesothe or Liberia, it makes sense for the specialist fund to do the

That does not mean that the new batch of emerging marks funds are assured of success The appoincement from Tem pleton that its £30m offering was only just oversubscribed suggests that institutions demand may be close to satura-tion; andyesterday's placing of yet another such fund may be the last for a while. Whether there is a further rash of imita tors will depend on how the existing ones fare; but as Korea and Mexico do not go up and down together, presum-ably some will do well and others badly. Never mind the ped-gree of the fund managers and their record in spotting Japan a decade or so ago; it is still asking a lot for them to pick the outperformers of the future from so many exotic markets, while avoiding political and economic disaster areas on the

Meanwhile, it is most unfortunate that this latest craze should have coincided with such a noisy warning from Hong Kong of the dangers of investing far from home. Indeed if Hong Kong — which must be on the verge of graduating from the emerging markets class altogether — can fall by 40 per cent in a couple of by 40 per cent in a couple of weeks, cautious investors may well wonder what Jordan or Fiji would be capable of.

Saatchi & Saatchi

If Saatchi & Saatchi really have put their management consultancy businesses up for sale, it is front that one of the most obvious buyers would be a financial services company For it was Saatchi's own clumsy attempts at courting the likes of Midland Bank and Hill Samuel which really made the City lose faith in its magic. There is far more scope for cross fertilisation between a bank's industrial customers and a management consultancy, than an advertising business. Although consul-tancy offers superior growth prospects, Saatchi has never proved that it could manage the business well. Assuming that it could sell the businesses for a minimum of £200m, it should have a positive finan-cial impact, while Saatchi's financial image would improve immeasurably if it decided to give even some of the money back to shareholders.

Return of the Contra counsellor

Tim Coone reports on rebels reappearing for Nicaragua's elections

HERE is a curious irony about the return of Mr Alfredo César to Nicara-

As the man who first counselled sound financial management to the Sandinista Government, only recently has his advice at last been put into practice. However, he is now a vilified opponent instead of president of Nicaragua's cen-tral bank, the post he held from the revolution until 1982. Mr César returned from

seven years in exile on Sunday to join the ranks of the opposition Social Democrat party (PSD) and predicted that only an opposition victory in the election next February could rescue Nicaragua's war and hyper-inflation ravaged econ-

omy. "We shall rescue the revolution," he vowed.

Welcomed by a small but enthusiastic crowd, a wheezing band and an underpowered, crackling public address sys-tem, Mr César said: "I have come back to work for the opposition and to support a sole opposition candidature."

He is the most prominent and moderate member of the "Contra" leadership so far to return to Nicaragua to participate in the electoral process. Others are due to follow.

The long road to unity for the Nicaraguan opposition has begun in earnest. For every in Nicaragua knows that unless the opposition can unify under a single banner, the rulpresidency, and thus control of the government for the next

The fragmentation of the opposition since 1979 has resulted in a proliferation of parties, covering the entire

Democrat right. Four conservative parties, three Social Christian parties, three liberal parties, and sev-eral others of centre-right alignment form the main oppo-sition in the contest that will see 22 parties participating.
There is concern that the

Trotskyist and Maoist left to

the conservative and Christian

incorporation of the Contra leaders back into the civilian fold will tarnish the opposition image. The US-financed war has left 50,000 dead, billions of dollars of damage to the econ-omy, and an immeasurable amount of rancour which is

PCDN, the most powerful oppo-sition group to have emerged from the 1984 elections with 14 NICARAGUA'S currency, the cordoba, suffered a drastic 52.5 per cent devaluation at the weekend, raising fears of new hyper-in-flation. The Central Bank fixed the new official exchange rate at 20,000 to the US dollar, and made an upward adjustment of passive interest rates to between 30 and 33 per cent a month. The rate had been 9,500:1.

already being exploited by the Sandinistas. On the day of Mr Cesar's arrival, the two pro-govern-

ment daily newspapers published a full-page photograph of the hardline Contra leader Colonel Enrique Bermudez with Mr César in the back-ground under a headline "No return to the past."

More vitriolic propaganda is being directed at Mrs Vloleta

Chamorro, the owner of the opposition newspaper La Prensa and widely tipped as the most likely presidential fied opposition, although her political skills are considered

Almost daily, video clips are being screened on the govern-ment TV station which juxtapose her alongside images of children mutilated in the war, and US Administration offi-

Each defeated presidential candidate automatically wins a seat in the 90-seat National Assembly provided the candidate obtains a minimum number of votes - one-ninetieth of the total turnout. Potentially, some eight to 12 seats could be won in this way by the larger

without them the remainder of the opposition has little hope of defeating the Sandinistas on a simple majority vote for the presidency, even were the Sandinistas' vote to drop to less than 50 per cent (from 67 per cent in 1984).

Given those calculations, an exhausted unity which could

campaign, or after a close

opposition parties.

per cent of the vote, and which are planning to go it alone in the elections. Without them the remainder

ephemeral unity which could collapse during the electoral defeat or victory, might be a tactical error. For there exists system which favours the

and the Supreme Electoral Council – through its voting power in the assembly.

At present the all-or-nothing choice of a unified presidential candidate dominates most opposition thinking, in the belief - shared by few analysts - that they will win a resounding victory.

Analysts believe it might be more realistic to aim for six tary opposition using the elec-toral system's favourable bias.

This would greatly curtail the FSLN's power and would prepare the diverse anti-San-dinista forces for a challenge for power in the 1996 elections and give time for a credible opposition candidate to emerge. It is no secret that Mr César has his sights set beyond

provide the technology and

purchase the necessary plant and equipment in western Europe. Equity capital for the joint venture could total about

\$200m, he suggested.
Fiat is seeking to expand its links with East Europe. It

already has agreement with the Polish Government for production in Poland of a Flat-

designed mini car to replace the Polish-built Fiat 126.

The initial agreement calls for output of 300,000 cars a

year but this could rise to

600,000 cars.
Mr Romiti disclosed that Fiat was exploring possible collaboration with Japanese car companies, while at the same time

pressing for an EC policy which will restrict their share

of the Community market "for as long as the European indus-

try is not able to compete on cost grounds."

Without such an approach, Europe was "at a cross roads" at which it either accepted

"indiscriminate" competition from Japan which would lead

Luxembaters to prepare the summit agenda, Sir Geoffrey Howe, the UK Foreign Secretary, said the UK could not sign on to "a shopping list of social obligations." However, it was ready for However, it was ready for "real and reasonably rapid

Mr Fowler said the UK sup-

Worker health and safety regulation was supported by the UK, and Mr Fowler joined other ministers in approving a work safety framework direc-

UK might have been prepared to go along with it, as Mrs Margaret Thatcher had indicated at last December's Rhodes summit.

Bonds demand fuels dollar Continued from Page 1

the economy, gave the Fed room to ease rates last week and so include the wishes of

parties, covering the entire Several parties, such as the political spectrum, from the Popular Social Christians Fiat in negotiations on Soviet joint venture By Kevin Done and John Wyles in Turin

FIAT, the Italian automotive group, is negotiating a joint venture with the Soviet Union to produce some 300,000 small cars annually. It is hoping to reach agreement by the end of the year. Mr Gianni Agnelli, Flat pres-

ident, also indicated yesterday that Fiat is considering the construction of additional car assembly capacity in West Europe, most probably in southern Italy or in Spain, to meet forecast rising new car demand in Europe in the 1990s. He said that the UK was also "attractive at the moment" a location for new industrial mvestment. Mr Cesare Romiti, managing

director, insisted that the EC must maintain a restrictive policy towards Japanese car imports after 1992 to protect the European motor industry.

He said that preliminary
talks between Flat and British
Aerospace about possible cooperation with Rover, the BAe subsidiary, in small car or four wheel drive vehicle production

Mr Romiti said he was convinced that Rover was making an agreement with Honda, the

WORLD WEATHER

explored the possibility of collaborating with Rover on the joint development of a small car to replace the Flat Uno and the Rover Group Metro, as well as on four wheel drive

Rover is holding intensive discussions with Honda about their 10-year relationship, which has already led to the development of two joint cars, the Rover 800/Honda Legend and the Rover R8/Honda Con-

Mr Romiti said that talks with the Soviet Union about a small car joint venture had started in September last year. The Soviet Union was insisting on a joint venture rather than the usual licensing agreement. "This is new for the Soviet Union and new for us,"

Fiat would only take a minority stake, he said, possibly of around 30 per cen new car plant was already under construction in Yela-buga, 100 kilometres from plan to build three new car plants and double car produc-tion during the 1990s to 2m units from 1m units at present. The car to be produced would be a Soviet design, the Oka, a Panda-class car. It would not be a replacement for

which Fiat Panda, however, which Fiat Panda, however, which Fiat plans to replace separately. Fiat was negotiating co-operation in the assemble control of the second seco hly stage of production, said Mr Romiti and was not interested in components such as Fiat would provide the tech-

nology and purchase the necessary plant and equipment in West Europe. The Soviet Union had indicated that it would take three to three and a half years to bring the Oka plant into production. The bulk of output would go to the domestic Soviet market with exports to West Europe of 60-70,000. He suggested that the equity capi-tal for the joint venture could

The company was insisting that "styling, design and qual-

ity must be up to Flat stan-dards," he said.

Continued from Page 1

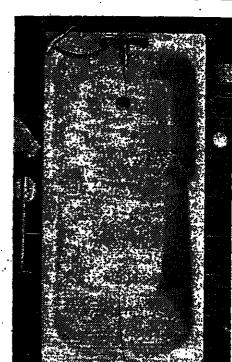
to a growth in unemployment, or it would succeed in impuring Japanese "rhythms and quality of life" - which he thought unlikely. He said the car assembly project would cost between \$1bn and \$1.5bn. Fist would China's activists pursued

Chinese television devoted several minutes last night to a denunciation of Fang, who was described as a prime instigator of the "counter-revolution," the official term for the pro-democ-

Shuxian, for whom arrest war-

racy movement. Sino-US relations have also been strained by sustained Chinese criticism of Voice of America broadcasts, which were attacked yesterday in editorials in the People's Daily, barbed wire yesterday.

and Peking Daily for "compilrants have been issued by ing lies and creating rumours." The leadership continued to congratulate itself and the army on the crushing of the democracy movement and painted an official picture of the Chinese capital as having returned to normal. Officials said the Forbidden City, which has been home to troops and tanks in the past week, would be reopened to the public today, though Tiananmen Square and the Forbidden City were still surrounded by



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FINANCIAL TIMES COMPANIES & MARKETS

Parts for your car

Tuesday June 13 1989

INSIDE

Exxon to spend \$1bn on chemicals plants

EXON The chemicals division of Exxon, the US oil company, this year plans to spend \$1bn plant investment, nearly double the figure for 1988. The spending projection, a substantial increase on Exxon Chemical's \$571m capital investment last year and the \$298m it spent in 1987, is indicative of the current boom in the global chemicals industry. Peter Marsh reports. Page 26

Quiet success story

Lend Lease is the only one of Australia's top property. And unlike many of the country's other leading companies, it attracts little general publicity and even less adverse comment from analysts. Chris Sherwell litts the wraps on an organisation that last year reported its first after-tax operating profit of more than A\$100m (US\$75.8m). Page 28

Hong Kong's battering goes on

While Hong Kong was Hang Seng Index ('000) suffering its worst week since the 1987 crash and its litters spread through the Asian region, stock 2.5 Image of the world made steady upward progress last week. As Hong Kong plunged 16 per cent and Japan stood still, Europe as a whole rose 1.5 per cent, with strong showings by Switzerland, Italy and the UK, and Canada and South Africa were also in buoyant mood. Page 48 markets in the rest of the world made steady

Fine as far as it goes

The recent rainstorms were welcome to the farming community and did some good. However, in most areas the moisture deficit for such crops as autumn-sown wheat and barley remains at critical levels, writes David Richard-son in his Farmer's Viewpoint. Page 36

Unigate held back by salmonella outbreak



Unigate, the food and distribution group chaired by Mr John Clement (left), yesterday reported a pre-tax profit of £100.5m (\$155.7m) for the year ended March 31 1989, a 7 per cent increase on the previous year. The results, in line with market expectaan over-supply of chick

ens in the wake of public concern over the salmonella contamination of eggs and poultry which received widespread publicity last

Market Statistics

European options such FT-A indices FT-A world indices

London traff. options
11 Money markets
48 New int. bond issues
48 World commodity prices
44 World stock mixt indices
44 UK dividends announced
31 Unit trusts

Companies in this section

Alexon Australia In Braithwaite Burndene invest CS First Boston Control Data Darby Group Dewhirst (IJ) Dillon Read **Emap** Ferguson Industrial French (Thomas) Fried.Krupp Gateway Genesis Group Grand Central Inv Harrison Industries Hicking Pentecost

Lend Lease Lockheed Marina Dev Group Murray Electronics Murray Technology New London Newman Tonks Northwest Airlines Prowting Renaissau Renaissan Rhône-Pou Safeland Salzgitter Seagate Technolog Shaw (Arthur) Shearson Lehman

Chief price changes yesterday: 369.5 ÷ 4.5 966 + 7 297.5 + 25

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355 + 203 + 216 ½ + 216 ½ + 1253 + 483 + 294 + 460 + 317 + 322 + 675 **-** 10 489 **-** 7 Guistiess Kinglisher Lloyds Peerl Grp. Racel Elect. 269 345 438 319 T₽H

Saab-Scania hit by loss in cars division

By Robert Taylor in Stockholm

SAAB-SCANIA'S car business plunged to a SKr450m (\$68.2m) loss in the first four months of this year — the result of fierce competition and falling sales in the US market — and the company indicated yesterday that the division was heading for a SKr1bn loss this year.

Mr Georg Karnsund, president of the Swedish aerospace and motor group, said the division would continue to make losses at the same rate for the rest of 1989.

Despite reasonable perfor-

Despite reasonable performances from the trucks and aircraft businesses, the sharp decline on the car side hit Saab-Scania's overall pre-tax profits, which totalled SKr642m in the first four months on consolidated

sales of SKr14.765bn.

In the same period of 1988 pre-tax profits totalled SKr665m and consolidated sales SKr12.933bn, but these figures were depressed

46 per cent to Italy and 30 per cent to West Germany. Total sales for the period amounted to SKr5.561bm (SKr5.239bn last year) and a total of 38,400 cars were sold, compared with 39,300 for the same period of 1988.

Saab has introduced a rationalisation programme designed to cut car production by up to 6,000 units a year, reducing output to around 120,000. It will mean cuts in manpower at the main plants, in manpower at the main plants, chiefly through natural wastage. But Mr Karnsund said yester day that this contraction would not make a financial impact until

next year.

He said long delivery times meant that Saab could not adjust rapidly to the changing market.

He would not be drawn into discussion on speculation that the group is looking for a co-operation arrangement with a foreign car manufacturer.

Deliveries of trucks and buses

but these figures were depressed by a white-collar strike which cost the group an estimated SKr450m.

Mr Karnsund said the first five months of the year showed a 12 per cent drop in Saab's US car sales, from 15,534 units to 13,549.

The US has been Saab's most lucrative overseas market.

But outside the US the car division has been doing reasonably well. In the first four months of this year, it enjoyed a 15 per cent improvement in sales to Britain,

Saatchi may sell its consultancy division

By Nikki Talt in London

SAATCHI & SAATCHI, one of the world's largest advertising and consultancy groups, is reviewing the future of its management consultancy arm - including the option of selling the business. option of selling the business.

However, other possibilities are also being contemplated. An announcement about the future structure of the group could be made tomorrow, when Saatchi announces its interim figures.

A sale of the consultancy side would be a considerable embarrassment to Saatchi, which entered the business in 1984 with the acquisition of the Hay Group—a major diversification from its

a major diversification from its core advertising business. By 1968 it was claiming to be the world's 10th largest consulting firm. In the year to end-Septem-ber, consulting accounted for about 22 per cent of revenues but

1989 pre-tax profits would drop because of problems in the US. Speculation over a possible dis-posal of the consultancy arm, or posal of the consultancy arm, or a flotation or management buyout of all or part of the business, has surrounded Saatch for some time. In the past, however, the company has tended to play down suggestions that it would part with this division.

Yesterday, no one at Saatchi was available for comment. However, confusion followed a Reuters report suggesting that the group had confirmed it was considering selling the consulting unit. A company representative

unit. A company representative was quoted as saying that what the group intended to do "depends largely on lining up a buyer at the right price." Later, the company's public relations advisers refused to com-

only 19.7 per cent of profit.

In March, Saatchi warned that shares rose 3p to close at \$17.

King of the capitalists' club

Alan Friedman reports on the enormous power wielded by Enrico Cuccia

ach morning, just before 8 o'clock, a hunched and wrinkled 81-year-old gen-tleman wearing a tailored grey suit that hangs loosely over his delicate frame walks along a nar-row passageway that runs behind Milan's famous La Scala opera

Having taken his morning cofthe at the bar of the Biffi Scala the little man with the slicked-down hair and piercing blue eyes strolls into the courtyard of an ordinary looking building that

ordinary looking building that bears no sign.

Despite his age, this man is a banker of enormous power and influence in Italy, a financial genius who since 1946 has given his personal approval to almost every big deal in corporate finance.

He is Enrico Cuccia, and he is the honorary chairman and former managing director of

mer managing director of Mediobanca, the Italian merchant bank that is currently in the eye of a judicial storm.

Mr Cuccia, who is often described by the Italian press as the "Puppet-master of Italian finance," has just been indicted on criminal charges. He and Mr Vincenzo Maranghi, Mediobanvincenzo marangni, mediopan-ca's current managing director, will stand trial for allegedly hav-ing falsified Mediobanca's bal-ance sheets by operating a hid-den L24bn (\$16.6m) slush fund. The allegation is that the fund was used between 1976 and 1980 to pay unauthorised bonuses to bank executives and to favour some of the bank's clients with

By yesterday morning the indictment had set tongues wag-ging throughout the clubby world of Milanese finance. For world of Milanese thance. For whatever the outcome of the case, Mediobanca is a power house occupying a central role in Italian corporate finance — though its position could be vulnerable in the next few years, as the reshaping of the European internal market calls for greater international investment banking opportunity.

international investment banking experience.

As for Mr Cuccia, despite the "honorary" nature of his position, he still works 10 hours a day and is involved behind the scenes in many of italy's most important corporate deals.

Over the decades this obsessively secretive banker — it is said in Milan that he does not even "confide in his own shadow" — has transformed Mediobanca into the lynch-pin of Italian capitalism, serving as a key consigliere, or adviser, to

key consigliere, or adviser, to leading industrialists such as Mr Gianni Agnelli and Mr Leopoldo Pirelli.

Under his leadership, Mediobance has acquired a string of strategic minority shareholdings that are also cemented by cross-holdings among the old families who belong to Cuccia's club. The club is known in Italy as the Sal-



Puppet-master of Italian finance": influential banker Enrico Cuccia will stand trial accused of operating L24bn slush fund

otto Buono, or "good drawing room" of Italian capitalism. Admired by his friends for his talents at intricate financial engineering and damned by his critics as a stubborn and vindictive man, Mr Cuccia is the architect of Italy's private sector network

Among the numerous deals that he has orchestrated over the years were the 1966 creation of the Montedison chemicals concern, the ill-fated 1970 merger of Pirelli and Dunlop, the 1976 deal that saw Libya become a Fiat shareholder — and the 1986 deal that helped the Libyans sell their Fiat stake for \$3.1bn and the Agnellis to boost family control of Fiat to nearly 40 per cent on the back of low-interest Mediob-anca loans.

More recently, there was last year's controversial restructuring deal that allowed Mr Raul Gar-dini's Ferruzzi group to take con-trol of some of Montedison's prize financial assets.

After that deal Mr Gardini was considered by the Italian financial community to have joined the Salotto Buono. The Ferruzzi-Montedison deal

sent the Milan bourse into a tailspin, but Mr Cuccia seemed none too concerned. Mr Paolo Azzoni, a Milan stockbroker, says that the stock exchange has never loved Mr Cuccia "because he

he is so secretive that he is the opposite of a market operator." opposite of a market operator."

The managing director of one Milan-based bank who, like others, declined to be quoted by name when speaking of Mr Cuccia, said yesterday that "at nearly 82 years of age Cuccia is still going strong and Medlobanca is today, as yesterday, still the clearing house for the big the clearing house for the big families and especially for the

monarchy of Turin." This last reference is to the well known financial intimacy between Mediobanca and Fiat, a relationship that has helped the Agnellis to prosper over the years. This has led to accusations from Rome politicians that Mediobanca has always served the interests of a tiny élite of Italy's old guard industrialists.

The complaint of Italy's

smaller entrepreneurs is that Mediobanca's near stranglehold neutobance's hear strangenoin recently, prevented those medi-um-sized companies outside the "club" from obtaining the kind of access to capital and financial

engineering bestowed on big, private-sector groups.

Until last year Mediobanca was majority owned by the state, but then a partial privatisation saw the state banks reduce their hold-ing from 57 to 25 per cent. But critics say this has changed noth-

ing.
"If anything," says Mr Azzoni,
"things were changing during the
boom years of 1985-86 when companies could raise equity capital directly on the bourse. Now there has been a kind of Restoration and Mediobanca hs gone back to its old role of preserving the power structure."

One reason why Mediobanca is so strong is that it has few competitors in the field of corporate finance. SIGE, the investment banking arm of the IMI group, began to flex its muscles during the boom years, but has now become far less aggressive. Small boutique banks such as Midland Bank's Euromobiliare, Mr Fran-cesco Michell's Sviluppo and Mr Jody Vender's Sopaf tend to pick up the crumbs that Mediobanca leaves behind. And while foreign hanks such as Morgan Stanley, Goldman Sachs, First Boston, Morgan Grenfell and Schroders are successfully picking up a few merger and acquisition deals, none of these has the resources or connections in Italy yet to pose a real threat to the Cuccia

But Mediobanca could become vulnerable as 1992 approaches and more deals require interna-tional capital market capacity. Mediobanca was unable to handle the 1986 Euro-equity placing of Libya's Fiat stock on its own; this deal went to Deutsche Bank instead. Mr Cuccia does have a instead. Mr Cuccia does have a long-standing alliance with Lazard Frères of Paris (a Mediobanca shareholder) and the two banks share jointly the role of being the leading shareholders of Generali, the biggest Italian insurer. Together Mediobanca and Lazards own 10 per cent of Generali which is capitalised at Generali, which is capitalised at \$15bn, but their influence is enor-

The indictment of Mr Cuccia had little impact at Mediobanca yesterday, where it was business as usual. One executive told the Financial Times: "You know I cannot talk or I'll be fired. You know the rules here."

There is, however, a feeling among Italy watchers that Mr Cuccia's generation will give way during the 1990s to a more pluralistic financial community. Mr Carlo de Benedetti, the head of Olivetti, seemed to be hinting at this last weekend when in a speech to young industrialists he lamented the absence of a "real market" in Italian capitalism amnd issued a call for more eco-nomic democracy.

How and when the Italian cor-

porate finance sector will open up is hard to say. In the mean-time, a small army of foreign bankers is trying to drum up merger and acquisition busines in Italy.

But they often find that, given the nature of the Cuccia club, one is either inside or out, with little in between.

French Senate votes to prevent cross-shareholding defences

By George Graham in Paris

THE FRENCH Senate has voted for new legislation to prevent companies from defending them-selves against takeover through crossed shareholdings between parent and affiliate companies. These crossed shareholdings, known in French as "autocon-trole", have been limited by law to 10 per cent of a company's capital since 1985, but still form a

major bulwark in many companies' defence mechanisms.

The legislation takes the form of an amendment introduced by of an amendment informed by the right wing opposition, and will have to go back to the National Assembly, the lower house, before passing into law. The Government has, however, accepted the amendment, which therefore stands a good chance of being voted in by the lower house.

Senator Etienne Dailly, who introduced the amendment, said that "autocontrole" was a "perverted form of capitalism which

has no place in any other country. For the team in place, it is a way to insure against any ques-tioning of their management." The system of "autocontrole" bas often been criticised as a weakness in the French system of corporate control, creating an economy of "capitalists without capital."

The move goes in the opposite

direction to a number of recent initiatives by the Government, aimed at facilitating defences against hostile takeover bids. such as the authorisation of capital increases after a bid has been launched, and the obligation on investors to launch a full public bid if they pass the threshold of \$3.38 per cent of a company's cap-

It may, however, have little effect if many French companies follow the lead of Compagnie Générale d'Electricité (CGE), which is asking its shareholders'

ing rights to a maximum of 8 per cent of the company's capital.

Pernod Ricard, the drinks group, already has a similar mechanism though with a limit of 30 per cent, while Lafarge Coppee, the cement producer, is pro-posing a more sophisticated ver-sion, limiting a shareholder's votes above 1 per cent of the capi-tal pro rata in line with attendance at the company's assem-

Lafarge, whose shares are widely dispersed, had only 32 per cant of its stock represented at its 1988 assembly, and says that the measure would thus prevent someone from taking control with only a small proportion of the capital. These mechanisms have

aroused some concern at the Commission des Operations de Bourse (COB), the French stock exchange regulatory body, but are expressly permitted by

Control Data disk-drive disposal

By Roderick Oram in New York and Louisa Kehoe in San Francisco

CONTROL DATA, the struggling US computer hardware and ser-vice group, has sold its Imprimis Technology disk drive business for \$450m to Seagate Technology, a California competitor.

The combined operations will be the leading supplier of disk drives to computer manufactur-ers, with a US market share of around 35 per cent, at a time when Japanese makers are starting to compete aggressively.

There is little overlap between Seagate's and Imprimis' products. While Seagate focuses primarily on the personal computer sector, Imprimis has aimed its products at the minicomputer and workstation markets. The disposal of Imprimis

marks a further retreat of Con-

trol Data from computer manufacturing, a field in which it was once a leading player.

Most recently, in April it axed its ETA supercomputer division.

It is concentrating instead on Seagate is paying \$250m cash, a \$50m promissory note and 10.7m of its shares, equal to 18 per cent of its equity.

Mr Lawrence Periman, Control Data's president, will join the Seagate board. The Minneapolis company has the right to increase its stake in Seagate to 22

Control Data decided to sell

because the "disk drive market

demands a continuous focus on

low-cost production and consider-able investment in new technolo-

gies to remain competitive," Mr Robert Price, the chairman, said. The disk drive business has cost Control Data dear. Once the market leader, it missed the trend in the early 1980s to cheaper, smaller and faster drives, losing \$350m in 1985

Mr Perlman won considerable praise for turning round the division but, even so, analysts esti-mate it made operating profits of only \$60m on sales of \$1.15bn last

Seagate has recently lost momentum in the disk drive mar-ket, failing to move as quickly as some of its competitors to the smaller 3% inch diameter drives that are becoming increasingly popular in personal computers.

This announcement appears as a matter of record only:



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Canadian Imperial Bank of Commerce

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to the holdest of CANADIAN IMPERIAL BANK OF COMMERCE (CIBC)

US \$200,000,000 Floating Rate Debentures due July, 1994 (the "Debentures")

NOTICE IS HEREBY GIVEN that, in accordance with Section 3.01 of the Eleventh Supplemental Indenture providing for the issue of the Debentures, CIBC has elected to redeem all of the outstanding Debentures on July 24, 1989 (the "redemption date"). The Debentures will be redeemed at 100% of their face value plus interest accrued to the redemption date (the "redemption price"). Interest on the Debentures will cease to accrute from the redemption date.

Payment of the redemption price will be made on or after the apption date at the specified office of any of the Paying Agents listed a pagainst surrender of the Debentures together with the coupon due perow against surremer or the Dependings organism with the Coupon the July, 1989 and all miniatured coupons. Upon such redemption on the redemption date all miniatured coupons and the July, 1989 coupon relating to the Debentures (whether or not attached) shall become void and no payment shall be made in respect thereof.

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> > PAYING AGENTS Imperial Bank of Com Cottons Centre Cottons Lane London, SEI 2QL

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Dated, London, June 13, 1989 for and on behalf of Itan Imperial Bank of Comme NATIONAL TRUST COMPANY



US\$350,000,000 Undated Floating **Rate Primary Capital Notes**

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Note, and US\$11,755.21 per US\$2\$8,500 Note.

AGENT BANK: CHARTERHOUSE BANK LIMPTED



BANOUE PARIBAS

U.S. \$200,000,000

Undated Floating Rate Securities

In accordance with the provisions of the Securities, notice is hereby given that for the three months interest period from 13th June, 1989 to 13th September, 1989 the undated Securities will carry an Interest Rate of 9%6% per annum. Interest due on 13th September, 1989 will amount to U.S. \$24.44 per U.S. \$1,000 undated Security.

Morgan Guaranty Trust Company of New York London Agent Bank

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					Cross	Yield	
High	Low	Company	Price	Change	qja (b)	%	P/E
337	295	Ass. Brit. fed. Ordinary	337㎡	0	10.3	31	9.1
38		Armitage and Rhodes	30	0	_	-	-
33	25	BBB Design Group (USM)	30	0	21	6.8	7.3
210	149	Bardon Group	200	Ð	27	14	34.2
124	105	Bardon Group Cv. Pref. (SE)	123	0	6.7	5.4	-
123	100	Bray Technologies	100	0	5.9	5.9	8.8
110	107	Branda Ni Copy. Pref	108		11.0	10.2	•
305	285	CCL Group Ordinary	299m		14.7	4.9	3.7
176		CCL Group 11% Coast.Pref	176	8	14,7	8.4	
210	140	Carbo Pic (SE)	205	a	7.6	3.7	12.1
110		Carbo 7.5%, Pref SED ,	110	0	10.3	9.4	
404	355	George Blatr	404	+2	12.0	3.0	8.9
125		Isis Group	125	0			16.4
184	115	Eropp (SE)	180	0	7.2	39	20.5
322	261	Muhikouse NY (AcestSE)	305	0	-	•	-
115	92	Robert Jeskins	115	+1	75	65	43
467	403	Scruttors	457	0	18.7	4.0	12.4
287	270	Torday & Carlisle	287ml	+2	9.3	32	10.0
127		Tortay & Carllete Corn Pref	217	8	20.7	9.2	
122	92	Trevian Holdings (USM)	98	Ö	2.7	2.8	10.5
127	106	Unistrat Europe Conv Pref	127	42	9.3	73	
375	355	Veterinary Drug Co. Pic	390	0	22.0	5.6	9.4
370	327	W.S Yestel	333m	Õ	16.2	4.9	27.8
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U.S. \$100,000,000



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Floating Rate Notes Due 1995

Subordinated as to payment of principal and interest

Interest Rate

Interest Period

93/16% per annum 12th June 1989

12th December 1989

Interest Amount per U.S. \$10,000 Note due

12th December 1989 U.S. \$467.03

> Credit Suisse First Boston Limited Agent Bank

INTERNATIONAL CONFERENCES & EXHIBITIONS

The Financial Times proposes to publish this survey

17 JULY 1989

For a full editorial synopsis and advertisement details, please contact:

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FINANCIAL TIMES

Wells Fargo & Company U.S. \$150,000,000

Floating Rate Subordinated Notes due 1994

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Magna strongly ahead

By Robert Gibbens in Montreal

STRENGTH in North America's vehicle output brought a sharp increase in profits for Magna Interna-tional, Canada's largest car components manufacturer, for the third quarter and nine months ended April 30. Third-quarter earnings were

C\$7.6m (US\$6.3m) or 27 cents a share on sales of \$541m, against \$5.8m or 21 cents on sales of \$421m a year earlier. Nine months' earnings were \$26.2m or 94 cents a share, up from \$16.6m or 60 cents a share, on sales of \$1.4bn against \$1.04bm.

Scotty's control for GIB

By David Buchan in Brussels

GIB GROUP, Belgium's largest retailer, has announced it is making an agreed \$132.5m bid to gain total control of Scot-ty's, a Florida-based do-it-yourself chain.

GIB already owns 42.4 per cent of the US company's 14.7m shares, and has reached

an agreement with Scotty's to buy the remainder at \$16.50 per share in cash. Scotty's currently operates

some 164 stores with an annual turnover of \$550m. GIB, which is Belgium's larg-

est private employer, has a turnover of some \$4bn a year.

INTERNATIONAL COMPANIES AND FINANCE

Dallas raider lifts Lockheed stake

By Anatole Kaletsky in New York

MR HAROLD SIMMONS, the Dallas takeover specialist whose disclosure of a big investment in Lockheed two months ago coincided with a wide-ranging financial restructuring of the big US aerospace company, announced yesterday that he had increased his stake to 6.25

Mr Simmons's disclosure immediately led to a jump in Lockheed's share price, which rose by \$1% to \$50% in active trading, despite the general decline on Wall Street. How-ever, arbitrageurs expressed caution about Mr Simmons's intentions, noting that he had

previously wrong-footed the market when he unexpectedly sold some of his shares in

Mr Simmons, who has accumulated a fortune of over \$1bn by speculating in takeovers through his publicly quoted master company, Valhi Inc. disclosed his initial Lockheed investment on April 3, when he said that he had accumulated a 5.3 per cent stake. The raider's statement sent Lockheed shares up \$3% to \$50, even though analysts on Wall Street pointed out that a hostilebid for the aerospace company would be extremely difficult because of its

he chemicals division of

Exxon, the US oil company, plans to spend worldwide this year on

sibn worldwide this year on plant investment, nearly double the figure for 1988.

The spending projection, which compares with Exxon Chemical's \$571m capital investment last year and the \$298m it spent in 1987, indicates the current boom conditions in the global chemicals.

tions in the global chemicals

industry.

Demand for many industrial chemicals has risen steeply in

most developed nations in the

past two years, triggering a wave of optimism and bullish

investment plans by many big

chemical companies. Exxon Chemical, with sales

last year of \$10bm, is one of the world's biggest suppliers of basic chemicals derived from oil and gas, particularly ethylene and propylene. Such materials form widely used feedstocks in the chemicals business principally for pro-

business, principally for pro-

business, principally for production of commodity plastics.

Exxon, which is the US's third-biggest chemicals business and is in the top 12 chemicals groups worldwide, is also a major player in plastics. It is a large supplier of both polyethylene and polypropylene.

The investment plans by the company may worry some

company may worry some observers concerned about pos-

cal industry. According to some onlookers, the large capi-tal projects amounced in the

past year by many companies in the business may lead to overcapacity in some key

the early 1990s, producing a downturn in prices and profits.

casts, total plant spending by the chemicals business in the

US in 1990 will be some \$24bn.

greater growth and profit

operates 709 silencer shops under the Speedy Muffler King, Car-X and Pit-Stop names in the US, Canada, France, Bel-gium and West Germany,

accounting for \$260m of Ten-neco Automotive's \$1.7bn in

revenues in 1988.

As part of the agreement,
Tenneco's Walker Manufactur-

Tenneco's Walker Manufacturing and Monroe Auto Equipment units will continue to supply the retail shops in North America and Europe.

Tenneco did not disclose the terms of its acquisition of Cartersville non-asbestos brake manufacturing facility from Interfiction USA and Friction-Materials of America.

But Interfriction, a maker of auto brake friction material,

auto brake friction material, will continue its Canadian

operations, Tenneco said.

The company said its recently announced acquisition

of Armstrong's shock absorb-ers division for \$89m will complement its Monroe shock absorbers business in

Tenneco Automotive Retail

micals, such as ethylene, in

sible overheating in the ch

close links with the Pentagon. The next day Lockheed announced a wide-ranging restructuring, which did not, however, involve any immediate payments to shareholders. Mr Simmons expressed his disappointment and 24 hours later announced that he had cut his stake to 4.2 per cent. Lockheed's shares soon fell back into their earlier trading range

of around \$47.
Yesterday, Mr Shimmons reiterated that he was buying Lockheed shares "for investment purposes," although he added that he might consider bidding for control of the com-pany in the future. Mr Sim-

Exxon Chemical plans to

US companies planning large increases in capacities in mate-

Others in the industry say

John Akitt: looking for

the investment plans are entirely justified. There was very little plant building or

expansion during the early to mid-1980s when the industry was in depression," said one

chemicals consultant. "The

investment we are seeing now

expansion in Japan

rials like ethylene.

mone said his latest block of Lockheed shares had been acquired at prices ranging

from \$47 to \$49 Our Financial Staff adds: Lockheed earlier this year reported a 42 per cent fall in net profits from continuing operations, which it attribute to the end of its \$6.60n pro

gramme to build C-5B cargo aircraft for the US military. First-quarter profits were down to \$63m or \$1.06 a share from \$108m or \$1.74 a year ear lier. Revenues were down by 17
per cent to \$2bn, from \$2.39bn
The company forecast a 25
per cent decline overall in profits for the full year.

Northwest pilots warn of strike

By Roderick Oram

PILOTS AT Northwest Airlines say they might strike if NWA, the carrier's parent, accepts a takeover offer unacceptable to them, particularly one financed by "excessive debt." Their union says such an offer would require asset sales and other actions which would turn Northwest from "one of the strongest major airlines in the US" to a "financially crippled second-tier carrier." Little is known of the four or so deals offered, although each would rely heavily on

more than \$3bn. The greatest concern has been raised by the offer from Pan Am because of the weak Pan Am because of the weak financial performance of its airline operations. NWA recently rejected all the offers and asked for improved terms. The 5,000 pilots delivered their message in a strongly worded open letter to NWA's board reproduced in a newspaper advertisement. They aggressively attacked Wall Street's "money-changers" who "dream about quick and easy profits."

debt to achieve a value of

easy profits."
"As major stakeholders in the future success of Northwest Airlines, we will do whatever is necessary to protect our jobs as Northwest employees and our careers as profes-aional pilots," they declared.

Half the pilots have been working without a contract since 1986 and the other half, former employees of Republic Airlines which NWA acquired,

Last aniumn 96 per cent of the pilots voted for a strike rather than accept the man-agement's contract offer. NWA government arbitration. Nego-tiations are due to resume

By Our Financial Staff

industrial group, is to sell the retail division of its auto parts

unit, Tenneco Automotive, as

part of a restructuring expec-ted to generate about \$46m in free cash.

The restructuring also

includes the acquisition of a brake manufacturing plant in Cartersville, Georgia, and the previously announced acquisi-tion of the shock absorbers

tion of the shock absorbers division of Armstrong Equipment, the UK engineering company and manufacturer of industrial fasteners.

A definitive agreement has been signed to sell the division, which has its headquarters in Toronto, to a group of Canadian investors led by Mr Stanley Goldfarb and Mr Fred Karp, chairman of Speed Muffler King, the company said.

King, the company said.

The company did not disclose terms, but a Tenneco official said the purchasers valued

the transaction at more than

\$100m. Tenneco says it is "initiating

aggressive actions to redeploy capital," and that its auto

unit is selling assets outside its core manufacturing business and redeploying

Tenneco to sell car parts

TENNECO, the diversified US the funds into areas with

retail side in reshaping

splash out \$1bn on plant Peter Marsh on an ambitious investment strategy a 20 per cent increase on the figure for 1988. Dow Chemical, Quantum Chemical and Phillips are among several big building new production units The company plans to spend more than \$100m on its shan

of an expansion at a chemical plant in Mossmorran, Scotland which it runs jointly with the Royal Dutch/Shell oil and chemicals group. This will lead to a significant increase it Excon's worldwide production of ethylene, of which it is the third largest supplier after third largest supplier after Dow and Shell. Exxon is also stepping up investments at other ch

plants, including sites at Notre Dame de Gravenchon in Nor mandy, France, and Baytown The company is studying a proposal to start polypropylene production at Notre Dame de Gravenchon. So far Exxon has confined its manufacture of

other commodity plastic, to the Mr Akitt said Exxon was looking to expand its operations in Japan and the Far East, which accounts for just 13 per cent of the chemical division's sales as opposed to 56 per cent in North and South America and 31 per cent in Western Europe.

this material, use of which is growing faster than for any

Exxon was planning, he said. to increase output from its plants in Japan which make paraxylene, a material pro-duced from oil refining that is

is to make up for the lack of activity in that period." Much of the \$1bn capital used from oil reming that is used in polyester fibre. Mr Akitt said Exxon was also looking at the possibility of starting manufacture in the spending envisaged by Exxon Chemical for 1989 will go towards increasing output at existing plants.
Mr John Akitt, president of Far East of ethylene and polyethylene, materials which it the basic chemicals unit of currently makes only in North America and Europe. Produc-tion of such chemicals in the Exxon Chemical and head of the company's non-US thought it "more prudent" to take this approach rather done through joint ventures with chemical groups which than spend large sums on have a presence in the region.

FINANCIAL TIMES CONFERENCES

TELECOMMUNICATIONS AND THE EUROPEAN BUSINESS MARKET London, 10 & 11 July 1989

With the mounting demands of corporate users for the rapid interchange of both data and voice traffic, the focus of the telecommunications industry is switching increasingly towards consumers. This transition is being influenced by the approach of 1992 and a recognition of the critical role of telecommunications in a single European market, as well as the international trend towards deregulation and continuing advances in technological innovation.

This Financial Times conference will provide a vital opportunity for manufacturers, network operators, service suppliers and users to come together to debate the important issues and to examine the development of some of the new services which are likely to have a profound influence on the future of the industry.

WORLD MOTOR CONFERENCE Frankfurt, 13 & 14 September, 1989

The FT World Motor Conference held biennially in Frankfurt has achieved an impressive position among motor industry events. This year sees a remarkable platform of speakers. Dr Carl Hahn of Volkswagen is to open and Helmut Werner of Daimler-Benz is to deliver a major paper on trucks. John Day of Allied Signal has accepted the invitation of the FT to open the section of the conference devoted to components. Dr Umberto Agnelli of Fiat and Raymond Lévy of Renault are two of the other leading car industry figures who have agreed to speak. Sten Langenius of Volvo Trucks is also on the panel and among the American manufacturers who will panel and among the American manufacturers who will be speaking is Jack F Smith of General Motors. Dieter Ullsperger, the financial head of VW, will close the conference which is to be chaired by Don Kress who now advises the International Motor Vehicle Programme at M.I.T.

RE-REGULATING EUROPE'S FINANCIAL SECTOR London, 16 & 17 October, 1989

The Financial Times has in recent years arranged a series of successful conferences on financial regulation in co-operation with Deloitte Haskins & Sells. These have featured plenary sessions of considerable authority but have also included workshops that have provided a significant opportunity for delegates to discuss quite detailed questions. Re-Regulating Europe's Financial Sector represents the extension of Europe's Financial Sector represents the extension of this format to the European stage and an exceptional panel of speakers includes Sir Leon Brittan, QC, Vice President of the Commission and Dr Huib Muller, the new Chairman of the Basic Committee. Deloittes have prepared a programme of workshops that will enable participants to assess the regulatory position in whichever European Community countries are of particular interest to them.

All enquiries should be addressed to: Finencial Times Conference Organisation 126 Jermyn Street, London SW1Y 4UJ Tel: 01-925 2323 (24-hour answering service) Telex: 27347 FT CONF G Fax: 01-925 2125

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U.S. \$50,000,000



Crédit Chimique

Floating Rate Notes due 1996 in accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from June 13, 1989 to December 13. 1989 the Notes will carry an Interest Rate of 9%% per annum. The interest payable on the relevant interest payment date. December 13, 1989 will be U.S. \$460.68 per U.S. \$10,000 principal amount and U.S. \$11,516.93 per U.S. \$250,000 principal amount.

By: The Chase Manhattan Bank, N.A. London, Agent Bank

June 13, 1989





AKTIENGESELLSCHAFT

U.S. \$50,000,000 Floating Rate

Subordinated Notes Due 1992

For the three months 13th June, 1989 to

13th September, 1989 the Notes will carry an interest

rate of 97/16 per cent. per annum.

Interest payable on the relevant interest payment date, 13th September, 1989 against Coupon No. 32 will be U.S. \$120.59

Listed on the Luxembourg Stock Exchange.

By: Morgan Guaranty Trust Company of New York, London

Agent Bank

INTERNATIONAL COMPANIES AND FINANCE

UK plastics groups merge to assail European market

ANCE

SCOTT & ROBERTSON and Alida Holdings, two British plastic packaging groups, announced an agreed merger yesterday which will create Europe's largest maker of polythene film.

The combined group's annual output of more than 140,000 tonnes of polythene film will lift it above Fardem, part of the Dutch chemicals company DSM, in the European league table. However, although this figure accounts for a quarter of UK production, it is less than 3 per cent of the

Suropean total.

The merger will take the form of a mostly paper bid by Scott, which values Alida's ordinary shares at £44m

By Our Financial Staff

same period of 1988.

AKER, the Norwegian offshore

and construction concern, yes-

terday reported pre-tax profit after financial items of

NKr55m (\$7.6m) for the first four months of 1989, compared

with a NKr38m loss in the

extraordinary items of NKr2m

this year, compared to NKr190m a year earlier.

Aker, Norway's biggest pri-

By Haig Simonian in Frankfurt

THE WEST GERMAN

Government confirmed yester-day that it had been informed

some time ago of the talks tak-

ing place between Fried. Krupp, the German industrial

group, and Salzgitter, the state-owned steel and engineer-ing concern, over potential co-

operation.
However, it remains unclear

whether the discussions, which

closer links between Krupp-Stahl, Krupp's steel-making subsidiary, and Peine-Salzgit-ter, Salzgitter's steel division,

could go as far as a full merger between the two parent compa-

or the residence to the

in the first instance involve

The result was struck before

Scott and Alida respectively, said the enlarged group would launch an aggressive assault on the fragmented continental

There is little overlap between the companies' prod-ucts. Scott is the larger volume producer of film, expanding in recent years with the acquisi-tion of British Visqueen from ICI and Calnay from CH Indus-

However, its industrial and horticultural products have low margins. In 1988, Scott made pre-tax profits of 22.6m on turnover of £77.4m, while Alida's total was £5.1m on

sales of 265.3m.
Alida specialises in printed carrier bags, food packets and (\$67.8m).

Mr Cameron McLatchie and
Mr Rex Stone, chairmen of

in-store producs packaging for
Britain's large food retailers.
The combined group will be

vate company, repeated earlier forecasts that it expected profit

items in 1989, sharply up from last year. Profits in the first

four months of the year are normally small because of the

traditionally low level of con-struction activity.

months of 1989 was NKr4.52bn against NKr4.72bn, with a fall in domestic turnover partly off-

nies, as has been variously

indicated.

According to Krupp, the talks have concentrated on co-

operation in speciality coated steels, with the possibility that

steels, with the possibility that the two companies might set up a new joint mill.

The prospect of Krupp tak-ing over Salzgitter, creating Germany's 11th biggest com-pany and its second biggest steelmaker, has triggered mixed reactions among other leading steel and engineering

leading steel and engineering

Hoesch said it had no interest in bidding for Salzgitter. However, the company admit-

Bonn knew of Krupp/Salzgitter talks

Turnover in the first four

Aker records NKr55m profit

the UK's leading recycler of polythene.

For every five Alida shares, Scott is offering four ordinary shares, four convertible prefer ence shares and £1.96 in loan notes. Before Scott's shares slipped 5p to 288p, this valued Alida at 392p, against a market price 90p higher at 365p. A sep-arate offer will be made for preference shares.

On full conversion, the paper to be issued to Alida shareholders would account for 52.4 per cent of the enlarged share capi-tal. This would dilute the 29.9 per cent stake in Scott held by PCL Industries to less than 15 per cent. PCL is a diversified Canadian plastic packaging

The offer has the backing of holders of 49 per cent of Alida's

international cement business.

gian construction and civil engineering market was likely

to stay at a low level this year and parts of the offshore busi-ness faced reduced activity. Last year Aker's profits fell

to NKr157m, from NKr474m in

1987. The company has been through a major restructuring

ted that it had sounded the

Government out about the possible timing of a Salzgitter sale.

Meanwhile, Thyssen, Ger-

many's biggest steel producer, which launched an abortive initiative to acquire Krupp last year, said it had "taken notice"

of the talks but gave no indica-tion whether it might be inter-

The Bonn Government has long indicated its willingness

to privatise Salzgitter, but has been impeded by the once-loss

making company's gradual recovery during its restructur-ing.

ested in Salzgitter.

Aker added that the Norwe



Jean-Réné Fourtou: end to

Fourtou wins second term at **Poulenc**

By George Graham

MR JEAN-RENE Fourton has been reconfirmed as chairman of Rhône-Poulenc, ending spec-ulation over his future at the head of the French state-con-

trolled chemicals company.

The people who hold the chairs of French state compamies are nominated for three-year terms, and many of those named under the right-wing Government of Mr Jacques Chirac, between 1986 and 1988, are coming up for confirmation

Mr Konton a former manegement consultant named by the right-wing Government in July 1986 and widely considered to be politically commit-ted to the centre-right UDF party, had been viewed as one of the industrialists who might

The socialist Government however, has repeatedly stated that it would not conduct a witch hunt, and would judge state industry bosses only on

appointments have been made since the socialists returned to power in May 1988, notably the replacement of two fervent advocates of privatisation, Mr Jean Dromer at the UAP insurance group and Mr Jean-Max-ime Léveque at Crédit Lyon-nais, the second largest state bank. Some other bosses named by the right, including Mr Raymond Levy at Renault and Mr Francois Heilbronner have also been reconfirm

Statoil to sell North Sea field stake to Japanese By Maurice Samuelson STATOIL, the Norwegian state

oil company, has agreed to sell 9.6 per cent of the Snorre oil and gas field in the North Sea to Idemitsu Kosan of Japan. The stake is worth up to NKrl.5bn (\$207m).

The transaction, subject to approval by the Norwegian and Japanese Governments, is part of Statoil's financial restructuring plans, as Norway's biggest company copes with the effects of falling oil prices, high debt levels and cost overruns in a refinery project.

It also reflects Japan's attempt to widen its interna-tional oil holdings and would be its biggest so far in the North Sea.

Idemitsu is one of a handful

of Japanese concerns which earlier this year requested acreage in the UK sector of the North Sea under the current round of licensing applications. The Snorre field, off central Norway, is due to come on stream in 1992 and is being developed at a cost of more than NKr30bn.

Statoil has agreed to sell Idemitsu a 9.6 per cent stake in North Sea blocks 34/4 and 34/7 which comprise the Snorre field and part of Statfjord East. Statoil hopes the disposal will help to improve its own equity capital structure and reduce its investment commitment in the next few years. The price Idemitsu will pay

is partly linked to future oil prices and will be between NKr1.1bn and NKr1.5bn, Statoil said in Stavanger yesterday. As well as cutting Statoil's As well as cutting Station's share in Snorre to 10 per cent from 19.6 per cent, the sale would cut the Norwegian Gov-ernment holding from 51 per

cent to 41.4 per cent.
There have been suggestions that with its heavy development costs, the Snorre field might fail to make money for its investors. "Idemitsu considers the deal as an important basis for a long-term land expanded commitment in Norway," said Statoil. "The Japanese company will escalate its operations to include develop-ment and production in Nor-

Idemitsu already has a share in two Norwegian offshore exploration licences in blocks 16/3 and 33/12b.

Statoil has said it will cut costs by NKr2bn by 1991 and reduce staff levels by around 15 per cent.

In addition to the Norwegian Government and Statoil, the Snorre field partners include the operator, Saga Petroleum, (11.3 per cent), Esso Explora-tion and Production Norway (10.3 per cent), and Deminex Norge (10 per cent).

Other partners are Norsk Hydro, Elf Aquitaine Norge, Amerada Hess Norge, Texaco Eastern Norway, and Det

tions at other companies

Coloroil's earnings per share

forecasts 18% boost in sales

Boss of Fiat

By Kevin Done and John Wyles in Turin

MR CESARE Romiti, managing director of Italy's Fiat group, forecast yesterday that the company's sales would rise by 18 per cent this year to L52,000bn (\$35.8bn) and towards L70,000bn by

He implied that 1989 would would bring yet another record profit for the group after last year's net income of L3,026bn. This year is emerging as better than 1988 in all sections of the business," be told a group of British journal-

He also revealed that Flat's consolidated turnover would rise by L6,000bn next year as a result of the consolidation into the group of holdings in the Rinascente retail chain and of Flat's insurance interests in he Toro insurance companie Conversion of convertible obligations currently held by group financial holding com-panies will give Fiat 100 per cent control by the end of 1990 of the Mito investment company, 53.5 per cent of Sais

which owns Rinascente, and

of the chemical subsidiary of the Italian state energy group Ente Nazionale Idrocarburi (ENI), boosted 1988 consolidated net profit to L496bn from L131bn in 1987. Consolidated pre-tax profit surged to L610bn from L150bn Turnover advanced to L7,340bn from L6,100bn. The gross profit was L2,580bn

and Mr Philip Green, group managing director, saw their salaries rise from between £110,000 and £115,000 to non-executive directors, who had based their decision partly on the group's performance and partly on the salaries of executives in comparable posi-

between £350,000 and £355,000.

Mr Ashcroft would not com-

ment on his own salary rise.

Coloroll chief trebles salary

MR JOHN Ashcroft, chairman and chief executive of Coloroll. the home products group, more than trebled his salary from £162,000 to £517,000 last year. Two other senior directors

also received threefold pay increases, according to Colo-roll's recently published annual report and accounts for the year to March 31. Mr Eric Kilby, group financial director.

Olivetti and Sanyo in joint fax venture their competence.

A number of political

But he said he felt "very com-fortable" about the pay rises rose 11 per cent from 20.8p to 23p in the year to March 31. for Mr Kilby and Mr Green. He said the increases were Pre-tax profits and sales doubled to £55.6m and £565.1m durdetermined by Coloroll's three

By Alan Friedman in Milan

OLIVETTI, the Italian office group, unveiled plans yester-day to build a facsimile manufacturing plant in southern Italy with Sanyo Electric and Mitsui of Japan as partners. Production will begin next year and the aim is to produce 200,000 fax machines each year

starting in 1991. For Sanyo Electric the factory at Pozzuoli near Naples will be its first fax plant in in the plant will be more than ture will be 51 per cent con-trolled by Olivetti, 39 per cent by Sanyo and 10 per cent by Mitsui. This is a large Japanese trading house which could act as a channel to supply compo-

All three companies plan to distribute the fax machines under their own trademarks,

with around 60 per cent of annual production destined for sale outside Italy.

Until now Olivetti has bought in fax machines from Canon, Ricoh and Sharp and

Swedish group sold them under its own name. Last year Olivetti was the third leading distributor of faxes in Italy, with a 20 per cent share of the domestic market of

200,000 units. Olivetti will instal the new production lines for faxes in an existing facility it has at Poz-zuoli. Sanyo will contribute the technological know-how. The Italian company said

yesterday that it expects the Italian fax market to grow by

40 per cent a year between now

creates unit L M ERICSSON, the Swedish

telecommunications equipment company, said yesterday
it is combining its cables and
network engineering
operations in a new business
unit effective July 1, Reuter
reports from Stockholm.
The new unit will employ

around 10,000 people and have an annual turnover slightly above SKr6bn (\$890m), making it the company's second larg-est business area after public

The partners of Freshfields announce the recent opening of an office in

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Profit Increase of 21% To HK\$3,630 Million

1989	1988
Turnover HK\$M 11,837.1	9,915.4
Attributable profit HK\$M 3,630.5	2,991.8
Earnings per share HK cents 32.7	27.1

- Attributable profit and earnings per share increased by 21 percent over last year.
- The increase in turnover by 19 percent is primarily a result of the volume growth in international telephone services. Other areas having significant growth were mobile radio telephone, fax, and leased circuits.
- The final dividend of 11.5 cents per share gives a total distribution for the year of 22.5 cents and is equivalent to 69 percent of attributable profit.
- The Group remains committed to a substantial investment programme which will continue to provide Hong Kong with one of the best telecommunications systems in the world. Capital expenditure during the year was a record HK\$2.4 billion and the Group plans to invest a similar amount in the current year.
- Borrowings have been reduced during the year from HK\$412.0 million to HK\$34.1 million.



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year by 24.6%.

<u>1987</u>	<u>1988</u>	% Change
69,1	67,3	- 3
22,7	21,4	- 6
16,0	15,4	- 4
6,0	5,0	<u>-</u>
478,0	350,0	-27
78,5	87,7	+12
249	254	+ 2
	69,1 22,7 16,0 6,0 478,0 78,5	69,1 67,3 22,7 21,4 16,0 15,4 6,0 6,0 478,0 350,0 78,5 87,7

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INTERNATIONAL COMPANIES AND FINANCE

An ageing fortune loser survives

Lynton McLain on the history behind the sale of Short Brothers

close to £1bn."

ot many companies would choose to tell sareholders had news in advance of its proposed sale, but that is what Short Brothers did helma last mack's did before last week's announcement by Mr Tom King, the Northern Ireland Secretary, that the UK government-owned company would be sold to Bombardier of Canada.

The bad news included Shorts being "bottom of the world actospace league of capital investment" are applicated. tal investment per employee" and having an "inappropriate capital structure."

in total, it was remarkable that Shorts, the world's oldest civil aircraft manufacturing company and the largest com-pany in Northern Ireland, "still survived on the world stage,"

the company said.
The comments came from
Mr Rodney Lund, the chairman, in his foreword to the latest annual report. The grim fig-ures in the accounts were the basis for the Government's decision to sell Shorts. For the Government, the

owner of Shorts for the past 46 years, the state of the company years, the state of the company was so serious that it decided the company could not be set free in the private sector without correcting the difficulties caused by years of financial neglect. The cost to the tax-payer will be £780m (\$1.21bm). That is the amount the Government will plough into ernment will plough into Shorts in write offs and cash injections as a sweetener, in return for Bombardier paying just £30m for the share capital.

Shorts has had a history of losses and crippling debt. Financially, it had never aerospace market dominated by large US companies such as Bosing and McDonnell Doug-las. However, it has sold dozens of its small Shorts 330 and 360 commuter aircraft to US airlines and claims to have sold guided weapons to more countries than any other UK manufacturer.

The company lost £142.5m on turnover of just £191.8m in the year to the end of March 1988, when the balance sheet showed a deficit on shareholders funds of \$175.8m 14 had love turnover. of £175.6m. It had long-term debt of £76.6m and short-term debt of £193.1m. Its current liabilities were nearly £50m greater than its total assets. However, the Department of

Economic Development for Northern Ireland, in a note to the Commons Trade and Industry Committee, confused the picture of Shorts' assets. recture of Shorts' assets.

It said: "The full value of assets used by Shorts in its business is not shown in its accounts because its premises are leasehold and it leases a substantial part of its plant and machiners."

and machinery."

Mr King made clear on
Wednesday that the sale of
assets to Bombardier included
the Beifast Harbour airport and its associated land. This has led to speculation that the privatisation might lead to a repeat of accusations made by MPs and others about the sale of Royal Ordnance and its land

to British Aerospace at well below their actual asset

Aerospace and its predecessor Short Brothers, it appeared. was capable of winning orders, but of duhious profitability, while it had problems with its

tion of military aircraft and

aerostructures work in other companies, presumably British

pany was well thought

of by customers, but at the bot-

tom of the world investment

underlying financial structure. These consisted mainly of the Shorts threw another confuspreponderance of debt and the high interest burden thus creing factor into the melting pot before its impending privatisa sted Interest payments have risen from \$7.7m in 1984 tion with the further statement by Mr Lund in the annual through £10.1m in 1985, £15.8m in 1986 and £19.8m in 1987 to report. "Shorts is a company so well thought of by its customers that it has an order book £25.5m last year.

In spite of the large order book. Shorts has lost between £2.4m and £142.5m each year for the past five years, apart from a modest profit of £523,000 modes in 1000. to put Shorts on a sound linen-cial footing and allow it to survive independently through a sale to the management, or, later on, through a flotation after it had consolidated its

Mr King believed that the The views of its own chairman that the commanagement of Short Brothers needed strengthening from out-side. He was advised by Klein-wort Benson, the Government's merchant bank advises league, might take some reconciling. However, Mr Lund also on the privatisation, to sel Shorts for however little to a larger established aerospace said that he found it difficult to come to terms with the fact that "a business owned by the company, once the Shorts bel ance sheet had been trans British taxpayer should have been starved of government aircraft and aerostructures formed from being debt-rides and under-capitalised to being almost debt-free and freshly contracts for a quarter of a capitalised with £275m. century."

He claimed that government policy had led to a concentra-

That sum was designed to recapitalise the company, eliminate remaining borrowing and meet expected future losses on existing contracts and programmes.

Of that sum, at least 20km will be an interest-free loan, to

Bombardier achieves its tar

					·
	SHORTS'	LAST FIVE	YEARS (200	0)	
ear ending Merch 31	1984	1985	1986	1987	1988 19
mover ading profil/(loss) lerest	163,029 11,654 (7,752)	200,855 15,749 (10,151)	199,887 (13,570) (15,548)	225,976 9,981 (19,879)	191,571 (12,062) (25,462)
accumulated deficit	(2,371)	523	(37,225)	(19,944)	(142,464)
			\$0v	rcs: Short Brothers'	MOOLE WAS BOUGHT

Panalpina plans growth throughout world

By John Wicks in Zurich

PANALPINA, the Swiss-owned

ties by internal growth and acquisitions.

The company is one of the world's top four international forwarders, with activities in

forwarding agent, intends to expand its international activi-

40 countries. It would like to grow all over the world, exclu-

ding countries with hyper-in-flation or insecure political conditions, said Mr Walter Schneider, company chairman.

Last year Panalpina bid for the international air cargo spe-cialist, Jacky Maeder, of Zur-ich, according to chief executive officer Mr Gerhard Fischer. This company has since been taken over by Swis-

Mr Schneider denied rumours that Panalpina itself was a candidate for acquisition. Nor did the company plan to go public, he added. Panalpina is controlled by the private Swiss foundation, Goh-

The company has opened new air cargo centre at Heath-row airport in the UK, a subskilary in Ghana and offices in Rotterdam and Charlotte, US. Group turnover rose 16.8 pe cent last year, from SF12.85th to SF13.35th (\$1.915th). Gross operating earnings increased by 13 per cent to SF1434th.

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INTERNATIONAL COMPANIES AND FINANCE

Closed loops that open new doors

Chris Sherwell on the strategy Lend Lease is applying to fresh areas

ooking around any Australian city, there is lit-tle direct evidence of Lend Lease Corporation Look a little closer, and it is impossible to escape it.

On concrete cores of buildings under construction, the sign Civil & Civic denotes a Lend Lease subsidiary. The Lend Lease Interiors banner is on others being refurbished. Two landmark Australian sky-scrapers are owned by General

scrapers are owned by General Property Trust, the country's largest listed property trust house, which is also part of Lend Lease.

In financial services, Lend Lease owns the prominent MLC insurance group MLC Life, which ranks third behind the dominant AMP and National Mutual life offices, and MLC Insurance. The group also offers a wide range of also offers a wide range of investment products, and has a lucrative asset management

lucrative asset management business.

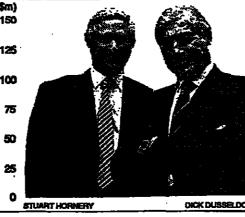
Of Australia's top 30 companies — a list dominated by banks, mining houses and big industrial groups — Lend Lease is the only one with its main business in property. Unlike many prominent Australian companies, it attracts little publicity and even less adverse comment from analysts.

Last year, for the first time. Last year, for the first time, it reported an after-tax operating profit above A\$100m (US\$74.6m). At the same time Mr Dick Dusseldorp, its Dutch founder and inspiration, retired as chairman. He came to Australia in 1950, formed Civil & Civic in 1951, and Lend Lease in 1958. Since then the company's growth has been company's growth has been rapid: an investment of A\$100 in Lend Lease in 1958 was

m Lease in 1958 was worth A\$100,000 30 years later. The company was also noted for its enterprise. General Property Trust, launched in 1971, was Australia's first listed property trust, and now has A\$1.40n in assets. In 1977 Land Jacob enterprise in 1958 was a series Lend Lease ventured abroad and set up International Income Properties in the US, now a big listed trust with US\$400m of retail properties. Then over 1983-85, it moved into financial services by into financial services by acquiring full control of MLC.

Equally notable was Lend Lease's visionary philosophy. Through novel staff ownership

Lend Lease Share price (A\$) Year and June 30 Net profit (A\$m) 87



schemes, well-tended links with investors and numerous corporate sponsorships, Mr Dusseldorp cultivated good relations with employees, shareholders and local communities. Currently, Lend Lease staff represent the group's larg-est shareholding block, with

around 26 per cent.

The most interesting feature of the group is what Mr Dusseldorp has called the "closed loop," a form of vertical interesting in the loop," a form of vertical inte-gration in the services sector.

No less than 30 per cent of
Lend Lease's property projects,
by value, are now initiated by
the group: not only planned,
designed, built and fitted, but
also financed, managed and
refurbished for their economic
life. In addition Lend Lease has
a substantial lifts business a substantial lifts business with Kone of Finland, and is involved increasingly in communications technology.

The idea is to generate prof-

its through the creation, devel-opment and management of property assets, rather than through their ownership, accu-mulation and realisation. The group minimises its risk in a volatile market by doing a large amount of work for third parties, such as the AMP, and through its General Property Trust, to which construction projects can be transferred. Lend Lease is building the 50-storey Bourke Place in Melbourne for the AMP, and it was responsible for building Melbourne's highly praised National Tennis Centre. The General Property Trust carries in its portfolio the Australia Square building and part of the MLC Centre, both in Sydney, and the Riverside Centre in

With the acquisition of the MIC group, Lend Lease is now trying to create a second "closed loop," this time in financial services — providing all the savings, mortgage, investment, superannuation. investment, superannuation, and life and general insurance products that individuals might need, from cradle to

The focus, again, is the management of third party assets. Lend Lease is selling the idea of wealth accumulation using the well-known MLC brand name — not just through insurance products but through a range of unlisted and listed trusts. The fees earned from managing these assets provide a significant, stable cash flow, and add protection against property market swings.

The man who has steered Lend Lease down this unusual path is 50-year-old Mr Stnart Hornery, who started with Civil & Civic in 1964 after graduating as an engineer. He

nating as an engineer. He quickly showed an inclination

quickly showed an inclination to manage, and rose to become managing director in 1978.

"I began casting around for something else for Lend Lease to do," he says, "because it was clear we had as much of the market as we could expect." International expansion was an option favoured by Mr Dusseloption favoured by Mr Dussel-dorp, but that was rejected. They also looked at resources,

mity came along.

MLC was a sleepy life insurance office which had once led its field. When MLC was threatened with takeover, Lend Lease, which was closely asso-ciated with it, became its white knight and took 20 per cent. It commissioned a report on the group and discovered that, in Mr Hornery's words, it was a "molden eer"

but eventually abandoned that idea. Then the MLC opportu-

"golden egg." Lend Lease lifted its stake to Land Lease first its stake to the MLC's board and management, and in three years halved the number of employees and agents. MLC Life has since doubled its assets to A\$5bn and become Lend Lease's second cornerstone after Civil & Civic. And Mr Hornery succeeded Mr Dusseldorp as chairman.

Dusseldorp as chairman.

According to Australian Ratings, the local credit rating agency, Lend Lease's earnings profile is now strong across all divisions, and particularly in property. At the end of the last financial year in June 1988, it had A\$300m of cash, borrowings of only A\$177m, no major off-balance sheet debt and an equity base of A\$44m.

Mr Hornery wants earnings to grow at 15 per cent each year, and in 10 years' time foresess a 50-50 split between Lend Lease's property and financial

Lease's property and financial services activities. But he says the current split between inter-national and domestic business, by which 90 per cent of the group's assets are Austra-lian-based, is unlikely to

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Security **Pacific** SEQUOR GROUP

Japanese seek chemicals joint venture

By Peter Marsh

LASTER

I RATE

NIS

SUMITOMO CHEMICAL, a big Japanese company, is seeking joint-venture partners in west

ern Europe to help market its crop-protection compounds.

Mr Masayasu Takeuchi, senior managing director of Sumitomo, said in London that the move was part of a plan to expand the company's overseas activities, especially in special-ity areas such as crop protection and drugs.

year of Y897bm (36.1bn), mak-ing it Japan's second largest materials and the second hig-

chemicals group after Missubishi Kassi. Like most Japanese chemicals concerns, it has few overseas sales — last year these accounted for 15 per cent

of turnover. Mr Takeuchi said that the company hoped to boost sales outside Japan of such crop-procides and fungicides. Sumitomo has annual agrichemical sales of about \$500m, making it Sumitomo had sales last among the top 20 suppliers

gest Japanese company,
About 50 per cent of Sumitomo's sales in this asstor are
outside Japan. In the US the
company agreed a partnership
last year with Chevron, a US
chemicals group, covering joint
marketing of Sumitomo's agrichemical products. chemical products.

manufacturer of pharmaceuti-cals in Japan, and Mr Takeuchi said he was considering arr-anging other joint ventures in Europe for these products, but has no firm proposals.

Tanker business boosts capital

ABU. DHARI National Tanker ABU. DHABI National Tanker Company (Admatco), a unit of the state-owned Abu Dhabi National Oil Company, is boosting paid-up capital to DH400m (199m) from DH4m, apparently to prepare for expansion, AP-DJ reports.

The increase was made by royal decree and is aimed at "sakapeing its position in the

"enhancing its position in the international tanker market," said an Adnatco official.

The company owns five etroleum product tankers an three carriers, totalling



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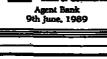
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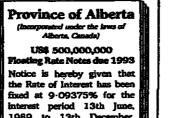




U.S. \$300,000,000 lated Floating Rate Pris Capital Notes (Series 3)

For the six months from June 13, 1989 to December 13, 1989 the Notes will carry an interest rate of 9.1825% per arinum. On December 13, 1989 attest of U.S. \$465.76 and U.S. \$465.76 will be psyable prussed U.S. \$10,000 and U.S. \$100,000 respectively for Coupon No. 6.

Nedlibra Finance B.V. GUARANTEED FLOATING RATE NOTES
DUE 1993 Libra Bank PLC For the three months 14th June, 1989 to 14th June, 1989 to 14th September, 1989 the Notes will bear an interest rate of 9%, 50 per summ and the coupon amount per U.S. \$100,000 will be



US\$ 11,556-64 in respect of US\$ 250,000 nombal





Br: The Chase Mexicatha Back, N.A. London, Agend, Stank 0 CHAS

FT GUIDE TO WORLD CURRENCIES

(Reyar) 5.5871 1.8081 2.4612 3.6624 (CFA Fr) (Canadian S) (Sp Peseta) (CV Escudo) (CI SI (EFA Fr) (CFA Fr) Shillingi (Sahi) (CFA Fri (Pa.Anga) (Pa.Anga) (Local Fr) Greach Fr) (Togrik) (E Carr S) (Oldward (Marken) 1.1715 1.5947 0.3871 0.1911 0.2601

THE CREDIT RISK MANAGERS











NEVIS HOTEL DEVELOPMENT LIMITED

Nevis - Caribbean

US \$ 44.55 MILLION PROJECT LOAN

Partially Insured by the **Export Development Corporation**

> Arranged by **BANQUE INDOSUEZ**

Lead Manager **Banque Indosuez** Senior Manager

Crédit National

Managers

Banco di Napoli

Banque Nationale de Paris

Barclays Bank S.A., Paris

Crédit d'Equipement des Petites et Moyennes Entreprises

The Daiwa Bank, Limited The Fuji Bank, Limited

Generale Bank S.A./N.V.

The Industrial Bank of Japan, Limited

Standard Chartered Bank



Agent

BANQUE PARIBAS



U.S. \$400,000,000

Undated Subordinated Floating Rate Securities

In accordance with the provisions of the Securities, notice is hereby given that for the interest period 13th June, 1989 to 13th September, 1989 the Securities will carry an Interest Rate of 9%% per annum.

Interest payable value 13th September, 1989 per U.S.\$1,000 Security will amount to U.S.\$23.96 and per U.S.\$10,000 Security will amount to U.S.\$239.58.

Morgan Guaranty Trust Company of New York

US \$600,000,000



Malaysia

Floating Rate Notes Due 2009

93/16% per annum 12th June 1989

Interest Period

12th December 1989 Interest Amount per U.S. \$10,000 Note due

12th December 1989 U.S. \$467.03 Credit Suisse First Boston Limited



THE MORTGAGE BANK AND FINANCIAL ADMINISTRATION AGENCY OF THE KINGDOM OF DENMARK U.S.\$80,000,000

Guaranteed Floating Rate due 1990, Series 84 Unconditionally guaranteed by The Kingdom of Denmark

Notice is hereby given that the Rate of Interest has been fixed at 9.3125% and that the interest payable on the relevant Interest Payment Date December 13, 1989 against Coupon No. 13 in respect of US\$10,000 nominal of the Notes will be US\$473.39.

June 13, 1989, London By: Citibank, N.A. (CSSI Dept), Agent Bank CITIBANG

INTERNATIONAL CAPITAL MARKETS

Convertible securities win tax treatment concession

a concession in the tax treatment of convertible securities when the Finance Bill committee met on Thursday last week. Under the original drafting, several types of Euro-convert-ible securities were threatened with extra taxation as so called deep-gain securities.

Eurobond houses are under-stood to have lobbied the Gov-ernment to alter the drafting of clause 90, schedule 11 of the Bill to exclude convertible bonds with put and call options from the provisions for taxation as income of gains made on deep-discount securities.

Mr Peter Lilley, a junior Treasury minister, told the committee that existing convertibles with call options would not slip under the deep-gain net simply by virtue of

portfolio, rather than be taxed at the higher income rate. Mr Lilley also announced that existing convertibles with

nut options would be exempt from the provisions and that further consultations would be undertaken to decide whether convertibles with puts issued after June 8 this year should be subject to the income tax provision.

The consultations are expec-

ted to take several months as the committee is seeking more advice on how to tax listed bonds which are linked to an index of equity values on a recognised stock exchange. Officials at some leading

the call option. Any gains made on such securities would therefore be taxed as capital gains. This means that investors can use any gains to write off losses elsewhere in their portfolio rather than he taxed were pleased by the news, but pointed out that the terms of several recent convertible issues with put and call options had included after ations so that the redemption clauses would exclude the instruments from any income

> An Inland Revenue official said there was no information said there was no information as to how many investors in these instruments were potentially affected by the original drafting. Most UK institutional investors, particularly pension funds, are tax-exempt.

However, securities houses were concerned that under the original definitions, significant investors — including leading insurance company funds -might have found it unattrac tive to invest in convertible

FT INTERNATIONAL BOND SERVICE

Bik Rova Scot. 14% 90 AS.
Bartlays Ass. 13% 91 AS.
Berglam S7, 94 Ers.
BP Capital 9% 93 Ers.
BP Capital 9% 93 Ers.
British Afreays 10 98 E.
Buhrmann-Tel. 5% 93 FL.
Coom. Bik Asst. 12% 93 AS.
Coop. Chr. Rubo 6% 93 FL.
Chocatiff rame 9% 92 Ers.
Deut. Bik Ass. 13% 93 AS.
Deutsche Bt. Fiz. 15% 93 AS.
Deutsche Bt. Fiz. 15% 93 AS.
Estavan Rodak 13 90 AS.
E. 1.B. 7 96 Err.
Esrollman 7% 94 Ers.
Fed. Bis. Dr. Bit. 10% 95 CS.
Fed. Bis. Dr. Bit. 10% 95 CS.
Fed. Bis. Dr. Bit. 10% 95 CS.
Fed. Mart. Cred. 7% 92 Ers.
Fed. Cred. Lan. 10% 95 CS.
Ford Mart. Cred. 7% 92 Ers.
Heiselen 7% 98 FL.
Hydro-Queber 11. 99 CS.
Lloyds Boark 10% 95 CS.
Morgan Goar. Tel. 11 91 CS.
Sastatednessa 7% 94 Ers.
Privatianten 7% 95 S.
Sastatednessa 9% 91 CS.
Sastatednessa 9% 91 CS.
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Sastatednessa 97% 91 CS.
Sastatednessa 10% 93 CS.
State Bit. NSW. 13% 92 SS.
Sastatednessa 97% 91 CS.
Sastatednessa 97% 91 CS.

BELGIUM

The Financial Times proposes to publish a Survey on the above on

19 JUNE 1989

For a full editorial synopsis and advertisement details, please contact:

RUTH PINCOMBE on BRUSSELS (02)513 2816 RUE DUCALE 39 HERTOGSTRAAT, B1000 BRUSSELS, BELGIUM.

or LINDSAY SHEPPARD at:

Number One, Southwark Bridge London SE1 9HL. Tel: 01 873 3225

INTERNATIONAL CAPITAL MARKETS

Profit-taking takes steam out of Treasuries

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds pulled bac' from thumping overnight gains of a full point in the Far East to stand as much as % point higher at midsession yesterday as profit-taking ate into last week's strong raily.

The profit-taking was not surprising given that the long

GOVERNMENT BONDS

bond rallied last week by more than three full points and that the dollar came off its overnight highs in the Far East. The dollar and the bond market are inextricably linked at

the moment.
At midsession, the dollar was quoted at Y148.55, compared with an earlier high in New York of Y149.45, and at DM2.0190 from DM2.0370 earlier. There was some talk in Tokyo that the Bank of Japan had been stealthily selling dol-lars and similar reports about Federal Reserve intervention surfaced in New York.

However, a series of com-

THE DOLLAR remained the

currency of choice for Euro-

market investors yesterday, with sizeable deals emerging to

Suisse First Boston brought a \$200m seven-year deal for the

International Finance Corpo-

ration. The bonds came with an 8% per cent coupon and were priced at 101% to yield 50 basis points over Treasuries.

INTERNATIONAL

The spread against comparable World Bank paper was about seven basis points.

The issue was the first by the IFC to carry a formal credit

rating - the World Bank affili-ate was rated AAA/AAA by

Standard & Poors and Moody's

and was designed to achieve a benchmark for the borrower.

deal a warm welcome, saying the bonds were well priced.

CSFB was quoting the paper at less 1% bid, while prices on

broker screens were around less 1.83 bid, inside underwrit-

ing commissions of 1% per

Syndicate managers gave the

Late in the day, Credit

By Andrew Freeman

meet demand.

BONDS

ments by Group of Seven cen-tral banks at the meeting of the Bank for International Set tlements served to keep the dollar well supported. Taken together, the comments emphasised that intervention against the dollar was useless in such a bullish market and that the G7 had no specific tar-

get ranges.
Fed funds traded at 9% per cent yesterday and were at that level when the Fed announced it was executing three-day matched sales. There is some consternation

about the extent and rapidity of the market rally, to a yield approaching 8 per cent on the

long bond. Current yields bear little relation to the level of the Fed funds rate, with the yield on the 8.75 per cent 1991 issue of 8.26 per cent, more than a full point below funds.

UK GILTS shed up to a point ary signals, together with a

cent. The proceeds were

unswapped.
Crédit Lyonnais launched a

\$200m seven-year deal via its

own underwriting arm. The bonds came with a 9 per cent

bonds came with a 9 per cent coupon and were priced at 101½ to yield some 77 basis points over the equivalent US Treasury. After a satisfactory initial reception, when the paper was quoted by the lead manager inside fees at less 1.85

bid, the issue was increased to \$300m. This had an immediate

effect, with brokers marking

their prices down to around less 2.15 bid, outside fees of 1%

However, a fall of about &

point on the Treasury market was also blamed for the fall as

the lead manager saw the issue

spread narrow to 72 basis

points. The proceeds were

Opinion on the increase was divided, with some syndicate

managers saying it would create an attractively liquid issue for one of the best French bank

names. Others said the

increase was a mystery and that demand for the bonds was

not strong enough to justify

FT-ACTUARIES SHARE INDICES

		Coupon	Red Dete	Price	Change	Yield	Work ago	Mont
UK GILTS		13.500	9/92	105-06	-14/32	11.54	11.44	10.94
	7	9.750	1/98	94-09	-13/32	10.78	10.75	10.23
		9.000	10/08	83-04	-24/32	9.80	9.75	9.25
US TREA	SURY -	8.875	2/99	106-17	-2/32	8.17	8.39	8.85
		8.875	2/19	108-10	+6/32	8.13	8.42	6.85
JAPAN	No 111	4.000	6/98	94.8581	-0.058	5,45	5.36	5.36
	No 2	5.700	3/07	105.9898	+0.691	6,06	5.11	5.06
GERMAN	Y	8.375	11/98	95.7500	+0.200	6.64	6.92	7.00
FRANCE	BTAN	8.000	1/94	95,7491	+0,001	8.86	5.53	8.83
	OAT	8.125	5/39	98.2900	+0.260	8.69	8.73	8.83
CANADA	•	10.250	12/98	105.7500	-	9.32	9.44	9.84
NETHERL	ANDS	6.7500	10/98	97.0250	+0.400	7.19	7.30	7.35
AUSTRAL	IA .	12,000	7/99	90.9254	+0.201	13.69	13.81	13.3

Technical DatalATLAS Price Sources ant surprise with regard to May retail sales. Sales volumes

significant weakening in sterling, depressed sentiment. The apparent continuing policy rift between Mr Nigel Lawson, the Chancellor, and the Prime Minister further destabilised the

The mildly favourable news about May producer prices was overshadowed by an unpleas-

Strong dollar tempts a string of sizeable new deals

Borrower US DOLLARS

Credit Lyonnale(d)
SAS(d)
FC(d)
FC(d)
Sanwa Australia(e)
Sumitomo Corp.
Pacific Metals Co.
Pacific Metals Co.

which were the only beneficiaries of the gathering inflation gloom. On Liffe, the September futures contract lost if closing

THE REST of Europe, by contrast, was pulled along by Wall Street with the strength of the dollar exercising surprisingly

Pricings at the official fix-ings in Germany were broadly higher. The federal 7.00 per cent bond due April 1999 was fixed up at 101.45 to yield 6.80 per cent, compared with 6.83

per cent on Friday.
Much of yesterday's trade
resulted from maturity switches, as players sought to switches, as players sought to take advantage of wrinkles in the yield curve. Whereas the more liquid paper in the 1998 and 1999 maturities were buoyed by the US Treasury market, the less liquid 1996 and 1997 stock did not increase correspondingly. respondingly, releasing a num-ber of spread trading opportu-

Book runner

Credit Lyonnais Morgan Stanley Int. CSFB

Sanwa int. Daiwa Europe Yamalchi int. (Europe

Japanese to acquire stake in CS **First Boston**

By Janet Bush

FIRST BOSTON, the Wall Street investment bank, yesterday confirmed negotiations for a number of Japanese insurance companies to take a 20.5 per cent stake in CS First Boston, the investment bank formed last December through the merger of First Boston and Financière Crédit Suisse First

The stake is currently held by Mr Suliman Olayan, the Saudi Arabian investor who caretaker investor until per-manent equity investors could be found. bought in last December as a

Reports from Tokyo suggest that CS First Boston is talking to at least six Japanese insurance companies and one trust First Boston declined to con-

firm or deny a Japanese news report that the seven investors would pay \$150m for 12 per cent of the company. However, according to news

agency reports out of Tokyo, Nippon Life Insurance and Daihyaku Mutual Life con-firmed that they each intended to take a I per cent stake.

Other firms mentioned as potential investors are Mitsul Trust & Banking, Dai-Ichi Mutual Life Insurance, Melji Mutual Life Insurance, Asahi Mutual Life Insurance and Mitsui Mutual Life Insurance.

Mr James Walsh, managing director of CS First Boston's Tokyo office, said the company was trying to place much of the 20.5 per cent stake with large Japanese inves-

Since the merger of First Boston and Credit Suisse First Boston, the investment bank had made it clear it wanted to sell the rest of its available equity to Far Eastern investors, to give it the third leg of its global presence. Mr Olayan had originally

taken a 30.5 per cent stake but 10 per cent of this was sold last month to Metropolitan Life, the big US insurance

CS Holdings, the holding company for Crédit Suisse, owns 44.5 per cent of CS First Boston and the company's managers hold the remaining

Shearson LDC team departs for Dillon

By Norma Cohen

THE CORE of Shearson Lehman Hutton's Third World debt trading team has left to set up a similar unit at Dillon Read, the US-based investment bankers, leaving only one or two professionals in that department.

Shearson had been regarded as one of the market leaders in the sector, establishing its unit in 1983 shortly after the crisis emerged among Third World debtor nations. Bankers estimate that turnover in Third World debt in 1988 may have been as much as \$40bn, up from between \$15bn and \$20bn in 1987. Shearson officials declined to estimate the firm's

market share.
In addition to trading the loans of less developed countries (LDCs), Shearson's unit was engaged in debt-equity conversions, securitisation of LDC debt, sovereign advisory and other transactional busi-

ness. Shearson was also known as the producer of a so-called developing country debt index, intended to track the composite values of Third World loans in the secondary market. While the secondary market prices of debt do not necessarily reflect the value at which they are held in banks' portfolios, they do affect market perceptions of hank assets.

The unit is believed to have contributed relatively small profits to the firm, although it was profitable in the first quarter of 1989 when the entire firm posted a loss. The unit was also a high-profile business for Shearson.

Those leaving arc Mr Jay Newman, who will become managing director in charge of the unit at Dillon Read, and Mr Keith Fogarty, who has been named a senior vice president. Also joining the group are Mr Pierre Biraben, Mr Peter Gross-man, Mr Gordon Wood and Ms Suzette Payotta. Mr Newman said there may be additional

hirings in the future. He added that the unit would tions at Dillon Read.

Trading in Nikkei index option off to busy start

OPTIONS trading on the Nikkei 225 index on the Osaka stock exchange was off to a busy start yesterday with roughly 150,000 contracts changing bands. But dealers will be waiting a week or so for the flurry to die down before gauging genuine levels of interest in the new contract.

As usual, volumes were inflated by the Japanese cus-tom of "congratulatory" trading - whereby dealers cross orders between themselves when little or no real business

Trading was confined to the

two hours and occurred against the background of a midly bearish, although unexciting, cash market. The vast proportion of busi-

afternoon session of just over

ness was concentrated in the contracts which expire in July, the closest month, with what dealers described as a surprisingly even spread between puts

and calls.
Implied volatilities were on the high side, at about 15 per cent in the calls and 12 per cent in the puts. These are also likely to adjust as genuine institutional business comes to the market.

Austria to raise Sch3bn floater

AUSTRIA plans to issue Sch3bn (\$212.7m) of floating-rate Treasury notes, lead man-ager Genossenschaftliche Zen-tralbank said yesterday, Reuter reports.

The bank said the issue, in denominations of Schlm, was priced at par and paid 0.125 per

LONDON TRADED OPTIONS

reached over a third of overall

cent over the Vienna interbank offered rate. The issue had a minimum coupon of 3.5 per cent and final maturity date was July 2004. The notes have a call option for the Republic of Austria in July 1992 at par and thereafter on every interest payment date.

day of 41,482 contracts on the call

100% 200bn 1997 75/40bp Banco di Roma 100 37 1/2/20 GZB-Vlenne

were 2.5 per cent higher com-pared with a 1.4 per cent fall

the previous month.
With pronounced sterling
weakness during the day, gilt
prices shed between % and 1

point in most areas, except among index-linked stock

NEW INTERNATIONAL BOND ISSUES

Price

FRENCH FRANCS 916 750 102.05 1995 1% Credit Lyonnais World Bank(a)t◆ AUSTRIAN SCHILLINGS Austria, Republic of(b): 100

The 10-year maturity was tapped by Scandinavian Air-lines System with a \$200m deal via Morgan Stanley. The bonds carried a 9½ per cent coupon and were launched at 101½ to yield 83 basis points over Treasuries. After a satisfactory start the bonds slipped outside fees at less 2% bid amid slow

There was some comment that the pricing was not generous for a large deal by an unrated borrower and that the spread gave little away against existing SAS secondary market

for Sumitomo Corporation was brought by Daiwa Europe and was well received, inside fees at 99 bid. well received, trading Banco di Roma was the bookrunner of a L200bn float-ing-rate note issue for the

A \$1.5bn equity warrant deal

World Bank. After a good reception the paper was trading inside fees at 100% bid. A domestic floating-rate issue by the Republic of Austria was brought by GZB Vienna. The Sch6bn deal (increased from Sch3bn) was successfully targeted at inter-national investors and ran to a premium to the par issue price. The bonds were quoted at 100.17 bid by the lead manager.

MARKET STATISTICS

RISES AND FALLS YESTERDAY

	These indices are the joint compilation of the Financial Times,										
			-	_					_		
	the institute	of Ac	warie	and '	ine Fi	custy	of AC		<u> </u>		
•	EQUITY GROUPS		Mond	lay Ju	12 12 1	1989	•	Į j	17m 3m 8	Wed Jun 7	Year ago (agorox)
	& SUB-SECTIONS			Est	Gross	Est.			-		
Fig	tures in parentheses show number of stocks per section	index No.	Day's Change %	Earnings Yield% (Max.)	Div. Yleid% (Act at (25%)	P/E Ratio (Net)	xxi adi. 1989 to date	ladex No.	index No.	iadex No.	hadex No.
1	CAPITAL G000S (205)	957.A5	-0.7	10.72	4.67	11.50	13.25	964.56	970.27	964.11	771.80
2	Building Materials (29)	1193.37	-0.6	11.94	4.30	10.32	17.91	1204.08	1214.87	1202.03	1007.75
3	Contracting, Construction (37)	1001.40	-0.3 -4.8	14.85 8.73	4.25 4.65	9.34 14.14	39.24 49.45	1455.E1 2855.68	1662.14 2870.28	1661.89 2844.81	1581.67 2058.46
2	Electronics (30)	2031.34	-14	2.68	3.69	14.97	19.40				
6	Mechanical Engineering (54)	524.44	-0.9	19.67	4.81	12.24	7.66	529,16	528.42	526,82	397.14
8	Metals and Metal Forming (7)	538.58	-8.7	14.70	5.51	7.69	1.84	542.26	545.81	544.80	461.61
9	Motors (17)	324.88	-0.9	11.47	4.68	16.24	6.83	327.81	326.18	323.76	272.48
10	Other industrial Materials (22)	1573.80	l	9.56	4.32	12.49	25.11	1574,73	1582.30	1556.24	1281.92
23	CONSUMER GROUP (187)	1212.11	-9.4	9.15	3.72	13.67 12.17	15.94 16.84	1217,17 1322,60	1214.18 1309.41	1286.80 1383.14	1085.30 1118.71
22	Brewers and Distifiers (22)	1070 42	-8.6 -8.2	10.33 9.61	3.68 3.89	13.02	15.69		1070.86		977.18
			+0.1	8.83	3.33	14.86	25.59	2296.57	227L47	2263.68	2001.32
27	Health and Household (14)Leisure (33)	2292.46	قة ا	6.74	2.69	16.85	21.11	2208,13	2214.89	2199.96	
29	Leisure (33)	1639.08	-ŏ.8	7.74	3.46	16,17	21,82		1648.94	1646.19	1334.66
311	Packaging & Pager (15)	5/4.83	-8.5	10.05	4.24	12.59	7.10	577.93	574 <i>J</i> 7	571.39	497.74
321	Publishing & Printing (19)	J581.48	-0.2	8.58	4.63	14.71	44.78		3548.86		
34	Stores (34)) 797.54	-0.8	11.42	4.52	11.46	12.47	804.84	888.87	801.31	815.73
35	Text (les (15)	J 533.99	-0.1	11.22	5.40	10.74 12.19	13.42 12.26	534.59 1118.67	533.56 1114.62	529.69	584.24 888.23
40	OTHER GROUPS (94)	1121,48	+0.3	19.661 6.92	4.16 2.49	17.98	14.91	1374.23		1995.36 1373.71	
41	Agencies (18)	1244 40	+8.2	11.27	4.78	11.47	24.38	1254.11	1263.92	1251.74	
42	Conglomerates (12)	1574 QE	34	10.69	5.89	11.62	20.16	1580.92	1588.81	157437	
45	Transport (L3)	2459.68	-6.7	8.40	3.59	15.49	38.81	2474.79	2489_64	2474.64	
47	Teleshone Meturorks (2)	11143.75	+1.8	10.72	4.29	12.14	9.00	1123,85	1995,02	1963.53	947.88
48	Miscellaneous (27)	1 630.26	-8.4	9.78	3.66	11.61	22.36	1636.22	1646.52	1587.38	1185.65
49	INDUSTRIAL GROUP (486)	1343.98	-8.3	7.85	3.94	12.54	14.51	1145.59	1145.84	1134.37	960.64
51	Oil & Gas (14)	2958.99	+8.6.	10.49	5,48	12.67	51,68	2045,75	2650,91	2027.69	1847.93
50	500 SHARE INDEX (500)	1219.77	-0.2	9.93	4,14	12.56	17.48	1222.11		3210.29	1435.63
61	FINANCIAL GROUP (123)		-8.7		5.32	_	16.71	736.13	738.09	738.82	712.57
62	Banks (8)		-1.8	24.51	6.57	5.36	21.71	735,76	736.44	722.79	676.69
65	Insurance (Life) (8)	1865.51	-0.9	-	5.68	_	29.86		1076.32	1866.13	1947.43
66	Insurance (Composite) (7)	563.49	-8.9	- 1	6.08		16.75	568.57	569.46	565.56	559.32
67	Insurance (Brokers) (7)	J 967.BI	-0.9	7.80	6.47	17.24	27,18	978.48	978.52	977.79	978.63
68	Merchaet Banks (11)	329.94	-1.0	J!	4.57		3.70	333,19	334.13	334.29	372.27
69	Property (52)	11299.08	-0.1	6.36	2.91	20.83 11.12	13.81 6.25	1300,74 364,70	1309.63 365.30	1382.29 364.23	1238.29 391.45
	Other Financial (30)	302.52	-8.6	11.47	5.99	_		1140.17		1114.55	888.52
71	Investment Trusts (71)	1142.15	+0.2	19.06	. 2.85 4.13	11.67	12.92 10.45	1140,17 621,97	1138.51 625.93	411.15	531.53
81	Mining Finance (2)	1303 11	-0.7	11.45	5.74	9.76	34.45	1300,97		1297.74	1122.00
91	Overseas Traders (8)	1098.86	-8.3		4.28	7.74	17.16	1101.84	1182.24	1091.69	158.57
99	ALL-SHARE INDEX (704)										
	•	jadex	Day's Change	Day's High (a)	Day's Low (b)	- Jeen	Jan 8	Jua 7	Jua 6	Jan 5	Year 250
_	ET SE JAN SUADE THREYS	No. 2198 3	-3.8								1858.8

FIXED INTEREST					AVERAGE GROSS REDEMPTION YIELDS		Mot Jun 12	Fri Jun 9	Year ago (approx	
PRICE INDICES	Mon Jun 12	Day's change %	Fri Jun 9	xd adj. today	xri adj. 1989 to date	1 2 3	British Gaverapeut Low 5 years Compose 15 years	9.96 9.66 9.49	9.92 9.56 9.40	8.81 9.18 9.91
Britisk Generament 5 years	116.81 130.28		117.14 131.28	 0.28	5.44 5.24	16	Medium 5 years	11.18	11.03 19.08 9.64 11.14	9.26 9.37 9.16 9.37
Over 15 years	139.09 261.99	-0.67 -0.48	140.03 162.78	-	6.81 6.34	89	Coupoes . 15 years	10.37 9.88 9.45	19.30 9.84 9.40	9.51 9.22 9.83
Index-Linked	728.38 134.70	+0.06	129. <u>15</u> 134.61	-	1.36	12	Index-Linked Inflation rate 5% Syrs Inflation rate 5% Over 5 yrs	3.94 3.80	3,95 3,81 3,22	2.76 3.82 1.83
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some 20,000 contracts on the opening day of its trading on the London Traded Options Market late last year, notched up a record 6,472 contracts, equivalent market turnover of 42,418, on 12,377 contracts. The total busi-ness was split between 29,719 calls and 12,697 calls. The index side, and of 31,594 on the put, to make a total of 73,068. Racal Electronics made the running for most of the day, among the individual stock trading was divided between 4,837 calls and 8,040 puts, on a day when the Index Itself lost 3.8 points on balance to 2,138.3. Dealings in the index on Liffe lay broadly in sympathy with the weakening. The most heavily traded of the Steel options were the October 90 calls, with 3,555 contracts, and the July 80 calls, on 1,485 — the first series as close as possible to get to the underlying share price, and the second not far away. The stock option had open interest at the beginning of the to almost 6.5m shares, compared with the 18m shares traded on the underlying market when the price showed fittle change, down 2p on the day to 88p. The options business in the stock appeared to be coloured by inter market-maker dealings. Dealings in it were contained in 6,462 calls and only 10 purts. The dealings in Steel and one or two other stocks apart, the day was one of placidness in individi-Shell Trans. 360 - 65 72 - 31₂ 4 (*409) 390 30 40 51 6 10 13 420 11 20 30 15 21 25 NIMI Lyons 420 25 43 53 6 11 14 N34) 460 7 21 31 29 32 35 500 1½ 9 16 68 68 69 160 18 22 24 2½ 5 6 180 7 10 13 11 14 15 80 10 18 22 4 71₂ 91₂ 90 5 12 17 8 111₂ 14 500 62 82 93 21, 5 7 550 21 42 55 12 18 22 600 4 18 31 50 50 50 160 26 26¹2 29 1, 2 24, 180 6¹2 9 13 2 7 9¹7 200 4 14 5¹7 16¹2 20 20 Orbitish Steel 80 64, 94, 13 34, 54, 75, 196) 90 15, 5 74, 114, 114, 14 100 5, 2 45, 205, 21 215 Ang Nov Feb Ang New Feb 650 51 75 102 16 28 33 700 25 49 74 40 50 57 BTR 330 49 56 - 1½ 5 - 1571) 360 24 34 46 7 13 16 390 9 19 29 21 28 30 260 21 34 44 2 5 6 280 6 20 29 8 12 14 300 2 11 19 24 25 26 41 55 64 2 5 7 17 33 42 8 13 17 Brit. Telecom 240 45 52 56 1½ 2½ 3½ 4 17 24 25 28 31 7282) 250 25 35 39 3½ 5½ 7½ 280 9½ 21 28 10 13 15 160 321, 39 42 1, 11, 2 180 131, 23 77 1 41, 61, 200 2 10 17 10 12 14 110 812 1412 18 1 3 312 120 212 8 12 5 7 9 130 12 4 7 13 14 15 Stars 17118 1 220 19 26 33 4 65 85 240 9 14 20 14 16 18 260 2 8 12 33 33 34 180 24 31 33 11₇ 21₂ 41₂ 200 8 17 191₂ 6 81₂ 11 441 43 65 - 8 16 460 - 68 - 30 479 20 41 - 27 35 -(°318') 650 73 77 93 1 8 12 700 27 37 55 6 23 30 750 3 15 28 35 55 60 DMZAJ 758 (*103.) 600 55 72 90 6 13 20 Val Rects 650 25 42 62 28 38 43 Val Rects 700 8 22 37 70 72 77 (*572) 220 91₅ 22 26 11 14 16 240 31₇ 12 17 27 27 29 260 11₂ 61₂ 10 47 47 48 240 25 33 % 3½ 5½ 7 260 12 22 24 10 11½ 12 280 3½ 9 11 23 25 26 FT-SE INDEX (* 2235) Jan Jol Any Sup Jan Jol Any Sup 160 23 28 33 3 4 5 180 8 14 20 7 11 12 200 22 6 11 24 25 26 220 33 41 49 1½ 3 4 240 15 26 34 45 7 9 260 5 13 20 16 16 18

UK COMPANY NEWS

Sale of liquid milk business will wipe out debt

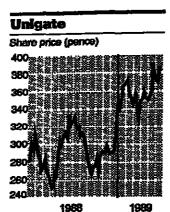
Salmonella fears limit Unigate to 7% increase

UNIGATE, the food and distribution group in which Mr Larry Goodman has an 8.8 per cent stake, yesterday reported pre-tax profits of £100.5m for the year to March 31, a 7 per cent increase on the previous year's £94m.
The results, in line with mar-

ket expectations, were held back by an over-supply of chickens after public concerns over the salmonella scare in eggs and poultry widely publicised last December. Earnings rose 7 per cent to 29.6p (27.6p) and the directors

are recommending a final dividend of 8.6p (7.7p) for a total of 13.9p (12.65p), an increase of 10 Turnover for the year was

2.36bn, a 9 per cent increase on the previous year's £2.17bn. Operating profits at £111.7m, were up by 7 per cent and interest charges rose £4.2m to £16.8m. The company's borrow-



ings will be eradicated by the sale of 46 per cent of its liquid milk business to Dairy Crest for £126m earlier this year. The UK food division contributed £62.7m (£60.7m) towards operating profits. Mr

John Worby, finance director, said that fresh foods, especially St Ivel Fresh Foods, had per-formed well up by 32 per cent — while profits from the politry activities were significantly down. Liquid milk's 5 per cent increase was masked by £2.5m of rationalisation costs arising from the closure of the Southampton dairy. US foods' profits were up by 23 per cent to £12.1m. Unigate said US cheese profits were up from \$5.8m to \$9m (£5.88m)

with strong growth from the Black-Eyed Pea restaurants although operations were more difficult for Taco Bueno. The distribution services division contributed £30.2m

(26.3m). Wincanton, the fleet management and hire division, contributed \$22.4m, an 18 per cent increase, and Giltspur, the exhibition services business, contributed \$7.8m (87.3m).

Braithwaite up 75% to £6.53m division year.

By Andrew Hill

BRAITHWAITE, the former engineering company which has transformed itself into an industrial services group, boosted pre-tax profits by 75 per cent to 26.53m in the year to March 31, against £3.72m.

to March 31, against £3.72m. The profits were struck despite the mild winter, which Braithwaite estimated might have cut £500,000 from profits at the heating equipment hire business, compared with an average year. The cost of servicing higher borrowings also took its toll: interest payments rose from £415,000 to £2.17m.

Turnover pearly doubled to

Turnover nearly doubled to \$59.3m (£30.3m) and earnings per share increased from 24.8p to 27.6p. The final dividend is 5.5p, making 6.5p (4.5p) for the

Mr Andrew Fitton, Braith-waite's chief executive, said the group had now rid itself of almost all its engineering sub-sidiaries, except for some small companies which would proba-bly be sold in due course. Braithwaite bought SPP, a

designer and supplier of fluid handling systems, a year ago. It has since disposed of SPP's

pumps division, and announced the sale of Godiva, the fire-fighting equipment

subsidiary.

Mr Fitton said about six companies, three from the UK, were on the shortlist to buy Godiva, which could realise about £14m or £15m for Braith-

The group was expecting to announce the sale towards the end of July or beginning of

end of July or beginning of August.

About 36 per cent of the group's turnover comes from the Sykes pump hire and distribution activities, originally part of SPP, 19 per cent comes from heating equipment hire and 16 per cent from the hire of air conditioning equipment – both under the Andrews trade name

Braithwaite is merging the Andrews and Sykes operations in a single environmental hire business and is also expanding its network of centres hiring out tools and small equipment.

Braithwaite may have reached a watershed. Disposals have

certainly improved the quality of the group's earnings as it has thrown off engineering mill-stones. But the flipside of the move to industrial services is The Goodwill Problem. Braithwaite, like TI Group before it, will publish shareholders' funds before and after goodwill write-offs this year, in an attenut to represent the an attempt to represent the true value of businesses acquired recently. But in future the City may want Braithwaite to start looking at activities with more tangihle assets – the possibility of a move into the competitive waste disposal business was mentioned yesterday. The shares slipped from 290p to 288p, a price which already includes the good news about the Godiva sale. That sale should sharpen up the balance sheet, bringing gearing down from 180 per cent to 30 per cent or less, and there is still poten-tial for organic expansion. Forecast pre-tax profits of 28m or 19m this year put the shares on a prospective p/e of 8 or 9, which looks fairly valued for the moment.

Fund manager launches 'ethical index'

AN "ethical index" of stocks has been launched by London and Bishopsgate International Investment Management, a fund manager 75 per cent-owned by Mr Robert Maxwell, Research Consultants.

The index, aimed primarily at local authorities, trade unions and charities, tracks the FT-Actuaries All-Share Index with companies selected on ethical grounds. They must

donations and have no involve ment in privatised local gov-ernment services.

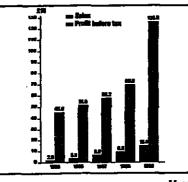
The UK Ethical Index can

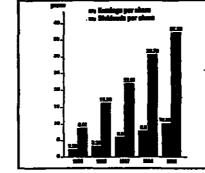
also be refined to exclude man-ufacturers of tobacco products

ALEXON GROUP plc

	MINARY RESU ear ended 25th March,			
•	1989 £'000	1988 £'000	Percentage Increase	
Turnover	126,639	69,950	+81%	
Operating Profit	15,603	9,322	+67%	
Profit before Tax	15,030	9,505	+58%	
Earnings per Share	37-23p	30.70p	+21%	
Dividend per Share	10.50p	8.00p	+31%	

FIVE YEAR FINANCIAL SUMMARY





Year End March

* Acquisition of Ellis & Goldstein (Holdings) plc Bringing two major niche brands into the Group - Dash and Eastex which have been fully integrated into Alexon Group within first seven months

Total elimination of all Ellis & Goldstein loss-making activities

* Acquisition of Richarvey

Hong Kong sourcing business has given the Group a major presence in importing from the Far East

* Continued growth from original Alexon Group Alexon, Claremont (North East) and (Scotland)

* Return on shareholders' funds in excess of 40%

The Annual Report and Accounts will be posted to sharebolders at the end of June.

ALEXON

dash

EASTEX

Claremont

£13m as eggs scare hits results

By Philip Coggan

FERGUSON INDUSTRIAL FERGUSON INDUSTRIAL Holdings, the packaging, printing and plastics group, yesterday emerged as the latest victim of the eggs scare. Two of its packaging subsidiaries lost sales last winter because of a fall in demand for nonlity products. poultry products.

The problems knocked £250,000 off group profits and restricted the increase in trading profits to 3.2 per cent in the year to February 28. But a £1.39m profit on the sale of investments helped pre-tax profits rise 14.7 per cent to £13.08m (£11.89m)

profits rise 14.7 per cent to £13.06m (£11.39m).

Ferguson has four main divisions packaging, printing, plastics and publishing. All were profitable except publishing, which made a loss of £33,000 after profits of £358,000 in the previous year. Mr Denis Vernon, chairman and chief executive, said that new management had been brought in and he expected the division to be profitable this year.



Mr Vernon said the plastic division, which supplies hang-ers to clothing retailers, had a full order book despite the

full order book despite the apparent slowdown in consumer spending. Last year, the division made profits of £2.15m (£1.92m).

Profits increased only slightly in the printing division – from £4.46m to £4.62m. The packaging division's profits, which were affected by the egg scare, edged up to £6.98m (£6.68m).

The profits on investment

(£6.88m).

The profits on investment came from the sale of shares in listed companies and at the end of the year, Ferguson still had investments with a market value of £7.6m, compared with a book cost of £5m.

Trading profits were £14m (£13.57m) on turnover of £129.5m (£127.6m). Earnings on ethical grounds. They must have no South African investments, have made no political ufacturers of tobacco products and to account for environmental dividend is 7.75p (6.6p) making a total of 11.5p (10p).

target in the rapidly restruct uring printing and packaging sector? Certainly three unnamed printing and packaging companies have small stakes in Ferguson and bid speculation is one of the main specialism is one of the mana supports for the share price. The management's strategy of concentrating on the four "Ps" has yet to be vindicated by results. Profits may edge But these changes cannot be achieved without interfering with current production, and sales and profitability, he said. The latter part of the current period has been affected.

In the second helf of 1927.99 higher to just over £14m on the back of an improvement in the publishing division and the growth of the plastics busi-ness. But with margins evidently under pressure and the tax charge set to increase, it is tax charge set to increase, it is hard to see earnings per share moving ahead this year. The shares at 245p are on a prospective p/e of 9 and shareholders who hang on in the hope of a bid will be comforted by a yield of 4.1 per cent. months ended March 31 1989 had moved up to £177,000, but was a substantial reduction on the £553,000 of last year. Turn-

FIH held to US buyers build up 1% stake in Gateway

WITH SPECULATION continuing to mount over the possibility of a rival bidder for Gateway, the food retail group which is already facing a \$1.87bn leveraged bid from Isosceles, UBS Securities in New York yesterday disclosed that it had been buying shares at 211p - 1p above the Isosceles

It acquired 500,000 Gateway shares at 211p on Friday, plus an additional 700,000 at

UBS said that the shares had been bought on behalf of a discretionary client, Junction Advisors, and reflected an investment postion. This amounted to 9.6m shares or a little more than 1 per cent. UBS declined to elaborate Kravis Roberts, the New York leveraged buy-out firm, indicated that it was still involved in negotiations with Gateway about the possibility of arranging a friendly management-led buy-out. But it denied stories circulating in London about a complicated carve-up involving

other than tostress that the purchases were unnconnected

purchases were unnconnected with any party either interested or potentially interested in bidding for Gateway.

It would not say whether it had made additional purchases yesterday. However, Gateway shares moved from 210½p to 215½p with some shares 215%p, with some shares changing hands at 215p, although trading volume was small.

In New York, Kohlberg Kravis Roberts, the New York

KKR, Gateway management and third parties. KKR's operating method in past US acquisitions has generally been to buy a company outright and then sell off unwanted divisions at its lel-

sure. Since the availability of finance would be less of a constraint for KKR than for most other bidders, it might have no incentive to pre-sell parts of Gateway.

Great Atlantic & Pacific Tea.

Company (A & P), the fourth largest food retailer in the US and rumoured to be linking up with KKR over the Gateway

situation, declined KKR, which through its Safe-way and Stop & Shop subsid-iaries is already the largest

owner of supermarkets in the US, has acknowledged an interest in Gateway from the beginning of the takeover battle.

It is unclear, however, how much of its existing dollarhased financing KKR would be able or willing to use in a potential bid for a UK com-

pany.

The lack of merzanine and subordinated debt financing in the UK capital market has often been mentioned by KKR and other US firms as the big-gest single obstacle to the development of an active leverage buy-out business in Britain. KKR has never bid for a foreign company, although it is known to have looked at doz-ens of potential investments in the UK.

'Emerging

markets'

Bromsgrove nearly doubled

By Richard Tomkins, Midlands Correspondent

BROMSGROVE INDUSTRIES, the acquisitive Midlands-based mini-conglomerate headed by Mr Bijan Sedghl, turned in an 88 per cent increase in pre-tax profits from £291m to £5.47m for the year to March 31.

More than half the £2.56m increase — about £1.5m of it —

increase - about £1.5m of it mcrease - about 1.1.3m of it -came from companies bought during the period, but the rest came from strong organic growth in the existing busi-

Shares issued for acquisitions took the average number in issue from 19.4m to 28.2m, so earnings per share growth lagged the pre-tax advance at 27 per cent, from 9.77p to 12.42p. A final dividend of 1.75p (1.45p) is proposed, making 2.75p (2.1p). Turnover rose from £30.9m

Turnover rose from \$20.9m to \$47.4m. Biggest contributors were the castings division (£15.2m) and the metals division (£14.4m), followed by precision engineering, plastics, and trim and graphics, all at about £5m. Among the strongest performers were the cast-

SAFELAND, which joined the USM in November with a prof-its forecast of not less than

22.3m, exceeded that figure with £2.48m pre-tax in the year to March 30. This was more

than double the £1.13m achieved the previous year. The recommended final dividend is 2p, 25 per cent ahead of the forecast

Turnover at this Londonhased property trading, refur-bishment and estate agency group vaulted from \$5.8m to

ahead with

modernisation

John Williams of Cardiff, iron

founder and steel stockholder, is pressing ahead with its

foundry modernisation earlier than originally suggested as it

has been encouraged by

improving results.

Mr Brian Brownhill, chairman, said the first phase will be completed by next month, and then it was intended to

proceed immediately with the

In the second half of 1987-88 the group cut its loss to 268,000. The deficit for the six

Total last year

` 8 10.5

14.52

13.25 4.2 10 3.02

0.8 6.85

6.5

4.75

6.5 2.75

4.25 21 1.25 13.25 5.65 11.5

2.48

0.562 0.4490 0.562

10 3.1 6.6 1.208 0.5 4.75

BOARD MEETINGS

DIVIDENDS ANNOUNCED

Current

5.5 1.75 2.5 5.5† 2.75 15 1.25 10 4.22

7.75 1.45 0.65 4.75 1.36 2.51 5.5

.fin 0.8614

Bromsgrove Inds —fin

Prench (Thomas Grand Central Harrison inde

Hughes (HT) § KLP Group

Prop.Pariner -

larina Dev Group ...fin

market. Airish currency throughout.

Date of

July 28

Aug 10

July 31 July 24

Aug 18

Dividends shown pence per share net except where otherwise stated.

*Equivalent after allowing for scrip issue. *On capital increased by rights and/or acquisition issues. \$USM stock. \$\$Unquoted stock. \$Third

J Williams goes | Depreciation

ings division (Bromsgrove Castings and Peterborough Pressure Castings), which won one of Jaguar's Pursuit of Excellence awards, and the metals division, with its Euro-cast Bar and Vetchberry operations. Companies included for the

first time were Triman and Trisport in the plastics division, Reliance Compra in trim and graphics, Frederick Yates in precision engineering, and the Neville financial services

Since the year end, three more acquisitions have been agreed: James Naylor, making foam blocks for the floristry trade; Alpha Zinc, one of Britain's three smelters and suppliers of sinc alloy; and Birmingham Bat-tery & Metal, making copper alloys and brass stamp-

tions combined with cur-rent levels of demand pro-vided a platform for good prog-

£18.18m. Net interest charges

were up at £316,000 (£77,000)

and, after tax had taken

£917,000 (£408,000), earnings worked through at 9.8p, double

The company said that, as expected, its refurbishment

and property trading operations made the most sig-nificant contribution to profits.

Its belief in the numerous pros-pects in the secondary com-mercial property market was

and interest

charges peg

Burndene rise

Higher depreciation and interest charges held back the profit growth of Burndene

clothing manufacturer and property developer - in the half year ended April 1,

Pre-tax profits were up 13 per cent to £1.87m (£1.68m), after a rise in operating profit of 23 per cent from £1.94m to £2.39m. Turnover rose 21 per cent to from £14.19m to £17.18m.

Caravan manufacturing and the park operating division contributed £1.28m (£1.01m),

hosiery production £439,000 (£310,600), property £119,000 (£284,000), and finance and administration £30,000

(268,000).

Rarnings were 11.92p (10.51p), before crediting the £2.87m proceeds from sales of an investment property and other land and buildings.

The interim dividend is raised to from 2p to 2.5p per chere.

(260,000).

ents - caravan maker

The company's investment

Safeland beats forecast with £2.5m

last time's 4.9p.

targeted COMMENT Bromsgrove's ravenous appe-tite for acquisitions remains undiminished by any threat of strains on the balance sheet or

by Genesis the hint of opprobrium that nowadays attaches itself to mini-conglomerates. The loan stock being used to finance the GENESIS GROUP, a recentlyformed fund management busi-ness, is launching its first fund, specialising in "emerging stock being used to mands the Birmingham Battery acquisition will take gearing to 40 percent, but there are enough asset disposals in the pipeline — not least, the likely flotation of Neville during the next year — to restore a net cash balance. The mini-conglomerate tag may not be so easily shed markets". The new fund, which is structured as a closed-ended Guernsey-based investment Guernsey-based investment company, is the second emerging markets fund to be launched in the past month. Templeton, Galbraith & Hansberger, the Nassau-based fund management group, has set up a £30m investment chiestiva.

tag may not be so easily shed, but in one sense carries its own reward: the more disparate Bromsgrove's range of activities, the less its exposure to the automotive business on which the group was largely built. The market, meanwhile, has settled down to a view on the company that reflects its caution over conglomerates generally: on forecasts of £7.5m this year, the prospective p/e remains at a steady 9%.

just under 9 per cent of group profits, though pre-tax profits fell 8 per cent to £217,000 on

turnover down 9 per cent to

2427,000.

The board is to propose a resolution at the annual meeting to increase the company's borrowing powers to £20m to allow for larger transactions and possible joint vent-

Darby Group

advances to

£1.95m pre-tax

Darby Group, glass processor which joined the USM last November, made pre-tax prof-its of £1.95m in the year ended February 28 1989. They were ahead of forecast and com-

pared with the previous

£427.000.

<u>£1.1m.</u>

nent neformance.

Templeton said yesterday that the offer for subscription, designed to raise £28.9m after expenses, had been modestly oversubscribed.

The Genesis fund is coming to the market via a placing of participating shares at \$10.15 per share. Indications of interests have already been received for \$17m-worth of theres. Although the company shares. Although the company is a closed end fund, it will be possible for it to issue further portfolio continued to grow and stood at 23.37m at the year-end. The estate agency and letting activity contributed shares in the future provided funds are at least 75 per cent invested and that the new

similar investment objective.

shares are not issued at below net asset value.

In practice, then, no further shares can be issued for a period - possibly several months - after the placing.

The fund will aim for capital growth through investment primarily in equity securities quoted on emerging markets. However, managers can also take stakes in companies quoted in "industrialised coun-

quoten in 'industriansed cons-tries", provided more than 50 per cent of their profits come from developing countries, or more than 50 per cent of assets seithman dous ai besed en Managers can also invest via another suitable fund if direct access to a country is not possible or the fund itself seems an attractive investment. A primary list of 21 countries where investments will initially be concentrated has been drawn up - ranging from Mexico to Turkey, and, in Asia,

the likes of Thailand, Korea and Pakistan. The management fee is 1.5 per cent — although this reduces if there is investment in other funds.

E.1.m.

Earnings also improved on forecast and the previous year-up from 5.96p to 10.29p - and the dividend is 1.25.

Mr Michael Barby, chairman, said the diverse markets of operation remained buoyant.

Of particular note were a num-Genesis Investment Manage-ment itself was founded in Jan-Of particular note were a num-ber of orders which were for uary. Its chairman, Mr Jeremy export and will benefit the cur-Paulson-Ellis, was previously chairman of Vickers da Costa The company specialises in various types of safety glass. Most of its float glass is obtained from France and the and – coincidentally, says Genesis – two other directors have worked for Templeton. See Lex

Owners Abroad

Owners Abroad has acquired Owners Adrose has acquired 76 per cent of Extrawelcome, which operates the trade names of Small World, Villas Italia and Ski Whizz, for approximately \$500,000.

CONSOLIDATED ANNUAL REPORT

US. Turnover in the year was £9.29m (£7m).

Mr Darby said the current year had started well and over

all trading peformance so far

had met budgets. However, there was a marked slowdown

in demand from the house-building, architectural and replacement window markets.

Statement of Income	(for the period April 1, 1988) to Merch 31, 1989) in Millions of Yen	CONSUMATION Not Sales (Year ended March 27)
Net sales	3,800,857 	3,362 1,000 1,000 1007
Balance Sheet		(March 31, 1989) in Millions of Yen
Assets		Liabilities and Shareholders' Equity
Cash and cash equiva		Bank loans and current portion of long-term debt

Other current assets378,001 Property, plant and equipment..... Minority interest...

Other current liabilities. Long-term Habilities.... Shareholders' equity..... 4,205,730

In Touch with Tomorrow TOSHIBA 'atemai

Carnaud S.A.

Carnaud merged with Metalbox Packaging to form CMB Packaging S.A.

The undersigned acted as joint advisers to Carnaud

Lazard Frères et Cie

Lazard Brothers & Co., Limited

BSN S.A.

BSN acquired HP Foods and Lea & Perrins from Hanson plc

The undersigned acted as joint advisers to BSN

Lazard Brothers & Co., Limited

Lazard Frères et Cie

Société Centrale de l'Union des Assurances de Paris

UAP International acquired an 18% interest in Sun Life

The undersigned acted as adviser to UAP International

Lazard Frères et Cie

Thorn-EMI PLC

Thorn-EMI acquired Holophane S.A.

The undersigned acted as joint advisers to Thorn-EMI

Lazard Frères et Cie

Lazard Brothers & Co., Limited

Les Echos

Pearson plc acquired Les Echos

The undersigned acted as adviser to the shareholders of Les Echos

Lazard Frères et Cie

Pearson plc

Lazard Brothers advised Pearson in the sale of its majority holding in Société Civile du Vignoble de Château Latour to Allied Lyons PLC

The undersigned acted as adviser to Pearson plc

Lazard Brothers & Co., Limited

THE LAZARD HOUSES

Lazard Frères et Cie 121 Boulevard Haussmann 75382 Paris Cedex 08 Tel: 4563-0111 Telex: 280666

Lazard Brothers & Co., Limited
21 Moorfields
London EC2P 2HT
Tel: 588 2721
Telex: 886438

Lazard Frères & Co. One Rockefeller Plaza New York NY 10020 Tel: 489-6600 Telex: RCA 223301 Record number of launches in year when forecasts are again beaten | HT Hughes

Organic growth lifts Emap 34%

EMAP, the publishing, printing and exhibitions group, yesterday announced a 34 per cent rise in pre-tax profits from £25.04m to £33.55m for the year ended April l. Turnover increased by 24 per cent to £232.69m (£187.88m).

Sir Frank Rogers, chairman, said it had been a successful and busy year. He said that the current year had started well and the confidence of the board was undiminished in the company's chosen fields.

Mr Robin Miller, group chief executive, said that advertising in special interest and business magazines was still strong, although the consumer maga-zines had experienced some caution about long-term book-

In regional papers, property advertising had shown a slight downturn but recruitment and motor advertising were strong. Advertising revenues for the first two months of the current period were 15 per cent ahead of a year ago. The profits increase was

almost entirely due to organic

Clayhithe lifts

profit by 44%

and tops £4m

Clayhithe, the property finance

for the year to March 31 last.

Mr John Jones, chairman, said the group had another good year with both the Active Investment and Property divisions contributing to the

improvment. Further invest-ments were made in the course

of the year in businesses and in property, and the group's balance sheet strengthened fur-

ther with low borrowings and substantial unpledged property

and other assets.
After tax of £1.17m (£828,000)

earnings per shares rose from 11.84p to 17.29p undiluted and from 11.12p to 15.96p fully

diluted. The dividend is

4.25p with a final of 2.75p.

increased from a total of 3p to

In future Clayhithe's main

property development activi-ties would be undertaken by a

newly formed company, Long-mynd Properties, in which the

group has an interest of 65 per

cent, the other 35 per cent being held by Avening.

Hoskins expands

with £900,000 buy

growth, except for a 2500,000 contribution from Associated Kent Newspapers. A record number of publica-

tions and exhibitions were launched at a cost of £5.6m, compared with £3.2m the previous year. A similar sum is expected to be spent this year. The most important launches Today's Golfer and More! had met expectations.

The company said it had decided to market 40 of its free ewspapers under the banner "Citizen". The advertising for these papers would now be handled by a single business, MSB, in an effort to increase the amount of national advertising going to regional news-

Typesetting costs of the regional newspapers were being reduced by the use of computerised technology which would provide annual savings of £2m in two years'

An extraordinary item of £1.65m (£162,000) resulted from the sale of investments, proper-ties and businesses.

EMAP Share price (pence) 1968

Earnings per share increased by 33 per cent from 12.2p to 16.2p. A final dividend of 4.22p was proposed, making a total of 5.65p (4.2p).

O COMMENT Once again, analysts predicted superb profits growth from Emap and once again, Emap exceeded the most optimistic

forecasts. But this recurrent ability to produce strong earnings growth is almost taken for granted and the market's reaction to the results was to push the shares down 2p to 242p. Attention now is firmly focused on the advertising market and how well Emap can withstand the inevitable slowdown. The bears' argument is that Emap's strong market position and good management will not protect it from a sharp decline and the resulting slump in its share price will stymic its ability to make acquisitions. The optimists however, can argue that the management seems fairly cheerful about the state of advertising in its market and Emap's impressive record on launches can help it avoid dilu-tive acquisitions. Even so, it is clear that the rate of growth must slow this year and most analysts are estimating pre-tax profits of about 239.5m. That suggests a prospective p/e of just over 12.5 – still a pre-min rating, but less highly

Thos French profit over £1m

THOMAS FRENCH and Son, the acquisitive maker of curtain styling and home improvement products, reported preand development group, has reported a 44 per cent profit increase from £2.85m to £4.12m on turnover £2.4m up at £26.1m tax profits of £1.06m for the six months to April 1, an increase of 6 per cent on £997,000 last

it also announced three more acquisitions and a fourth which is under negotiation.

a total of 2618,000 cash and will increase its coverage of home greed for the fourth purchase which makes wood products. Turnover fell from £13.3m to £11.24m. The company said the from Tekdata which was sold in May 1988, and an exceptional property profit of £122,000. Adjusting for these the underlying profit rise was 54 per cent. Earnings per share came out

at 5.72p (5.28p) and the interim dividend is being raised to 1.45p (1.2075p).

Marina profits treble to £4.6m

MARINA DEVELOPMENT the freehold of an area oper-Group, owner and manager of marinas and boatyards, reported both operating and pre-tax profits increased more than threefold in the year to March 31.

At the year-end the group's net asset value had almost doubled to 630p (318p).
At the operating level profits were £2.9m (£739,000) and at the taxable level £4.57m, against £1.31m last time. The pre-tax figure was boosted by a £1.03m (£665,000) credit relating to the sale of

ated as a boat repair facility, previously subject to a 35-year

Turnover fell to £8.48m (£9.28m) and earnings per 50p share jumped to 19.7p (9.1p). The directors have proposed a final dividend of 5.5p to make a total of 7.5p (1p) for the year.

In March this year the company escaped a £77m takeover attempt from Local London, when I would be the second of the property when Local London found itself on the receiving end of a £111m bid from Priest Marians.

The costs of the defence against Local London had a significant impact on the retained profit (down from £793,000 to £636,000) and has been shown as an extraordinary loss of £1.15m. Mr David Heimann, chair-

man, said that the company's berth-leasing programme was gathering momentum but that the profit effect of the programme would only be evident in the results of the current

Pennant £7m French disposal

Marina then ditched the idea of

PENNANT PROPERTIES, the Australian-controlled interna-Leicester-based brewing and tional property developer and investor, is selling its 50.5 per cent stake in French property believed it of leisure company which is quoted on the third market, is to acquire Tatlocks, a licensed group Société d'Investissment et de Promotion Immobilière tea and coffee house and a catering business, for a maximum consideration of £900,000.

for FFr 7/m (£7.32m). The initial consideration of Mr Ron Counte, Pennant's wir kon Counte, Feanant's company secretary, said the Wormser and Thoby families of France, who each hold just under 25 per cent of SIPIM, agreed to buy the remaining stake after extensive negotiations. £650,000 will be financed by the issue of ordinary shares representing 14 per cent of the com-pany's enlarged share capital. Tatlocks, which has retail outlets in Windsor, Tunbridge

Wells and Worthing, reported pre-tax profits of £75,843 for 1988 on turnover of £557,500. The latest unaudited appraisal of SIPIM, which

holds extensive property in Paris, valued its net assets at Mr Counte said Pennant

greater returns by investing the proceeds in the UK prop-erty market.

Pennant received only about a 3 per cent dividend return on its holding, Mr Counte said, and he added that the Paris portfolio was not increasing as dramatically in value as Penagement control.

"We're very much more confident of being able to use these funds in an area where said. Part of the proceeds of the sale will also be used to reduce Pennant's gearing.

Pennant will receive an initial FFr 50m and the remainder in instalments over three

nant's London holdings.

Despite holding a majority of SIPIM's equity, Pennant did not exercise day-to-day man-

beats forecast with £1.8m

HT HUGHES, the USM-quoted waste management company, yesterday announced a 31 pe cent rise in pre-tax profits from £1.4m to £1.83m for the year to February 28. Turnover rose by 46 per cent from fil.sm to £17.21m.

The profits exceeded the £1.75m forecast in February

with the £6.98m rights issue. with the Easem rights issue. Waste management increased profits by 61 per cent to £1.43m. Mr Bob Merrick, chairman, said that it had achieved a 33 per cent increase in prices, while operating costs had increased by 29 per cent from tighter legislation.

Its supply of air space increased by 20 per cent, adding to reserves that would last for 20 years at current

usage rates.
The demolition division suf fered a profit reduction of 37 per cent to £191,000, as a result of a squeeze on margins following increased competi-

Profits in the transport side rose by 2 per cent to £400,000.
The commercial truck dealership which started operations in late 1987 moved into profit.
Mr Merrick said that although high interest rates were showing some signs of producing a slowdown in construction-related markets, the group's concentration on waste management and related activities would pro-

vide a stable base. Earnings per share increased by 13 per cent to 6p (5.3p). A final dividend of 1.38p is recommended, making 2.48p for the year.

A Cohen rises 29% to £4.25m

A Cohen, maker of non-ferrous metal ingots, increased pre-tax profits 29 per cent, from 23.3m o £4.25m, in 1988, and so far in the current year results had been encouraging, the directors reported.

Group turnover advanced 42 per cent, from £57.74m to £82m. Earnings were further enhanced by a reduction for the second half in Australian tax, and came to 139p (91p). The dividend is raised from 4.52p to 21p, with a final of

Significant contribution were made by virtually all members of the group.

The directors said custom-ary caution must be exercised in forecasting because of the volatility of the metal and foreign exchange markets, on which profits significantly

New London losses

New London incurred a loss of \$736,000 in year ended March 31 1989, compared with \$771,000 which was restated. The US group was operating profitably and each flow had improved significantly over the past 12 months.

Restructured Alexon shows 58% improvement to £15.03m

By Alice Rawsthorn

ALEXON, the clothing company which took over Ellis & Goldstein last year, yester-day announced a 58 per cent increase in pre-tax profits to £15.03m in the last financial year on turnover that rose by 81 per cent to £126.64m. Alexon has sold or closed the

loss-making parts of Ellis since its takeover last August. It has, however, retained the Kastex women's wear and Dash leisu-Eastex and Richarvey (the

company responsible for Dash) contributed £4.5m over seven months to operating profits of £15.6m (£9.32m) in the year to March 25.

Undiluted earnings per share rose to 37.23p (30.7p) and diluted earnings per share to 35.03p (29.55p). The board proposes to pay a final dividend of 6.5p making a total of 10.5p Since the takeover Alexon

as restructured its activities into three divisions: Alexon Brands, including Alexon, Dash and Rastex; Claremont Garments, a contract manufaccar retail group; and Alexon (Far East), which sources clothing in South East

The original Alexon branded business encountered tough trading conditions during the year and managed to increase sales, according to Mr Peter

through its new outlets. By contrast both Eastex which specialises in clothes for older, shorter women - and Dash showed sales growth.

Alexon is now improving the merchandising of these businesses. It plans to sell the old Ellis headquarters in East London bringing the total amount raised from disposals since the acquisition to about

Mr. Wiegand said Claremont had increased sales to M and S, in spite of a series of gloomy announcements from other

He said the benefits of the reorganisation of Cohen, the recently acquired Scottish company, should emerge this Alexon plans to use

Richarvey as a base from which to develop a leisurewear range for M and S imported into the UK from the Far Mr Wiegand said the pattern

of trading so far this year had been similar to last year with sales growth of over 20 per cent for Dash and static sales for the established Alexon

When Alexon first slipped into its suit of shining white armour to save Ellis & Gold-stein from the unwelcome

Wiegand, chairman, only advances of Berkerter, it looked as though it had prid too high a price and taken on too tough a challenge. With hindsight the deal seems much more sensible and the time was opportune given that mice of the Alexon brand are slowing down and Claremont, the almost every other M and & supplier, seems set to suffer supplier, seems set to suffer pressure on profitability. The City expects profits of sam for the full year. Alexon argues that its prospective p/e of 9% — on shares up 1p at 383p— reflects its old role as a magnifacturer, not its new one as a retailer. But it usually takes a long, long time for a company to convince the City to treat it to a re-rating.

Magnet bid extended

Mr Tom Duxbury's £620 boardroom bid for Magnet has een extended until 1pm today. At the fourth close on Friday last week, shareholders with 79.2 per cent of the ordinary and 66.5 per cent of the convertibles had backed the offer. The offer is likely to be declared unconditional today, with the backers to the bid taking a gamble that it will be possible to obtain the kind 90 per cent acceptance level from both shareholder categories.

Harrison Inds falls to £2m but says problems now corrected

By Edward Sussman

Harrison Industries, the Stockport-based maker of industrial and domestic doors, castings and power transmis-sions, reported a sharp fall in pre-tax profits from £3.92m to £2.04m in the year ended March 31

It added that it had corrected the problems leading to the decline. Turnover increased 27

per cent from £32.73m to £41.51m. While the figures were in line with analysts' expectations, Harrison slipped 6p to 187p on the market yesterday. Harrison's industrial door division swung from a loss of £553,000 in the first half of the year to a profit of £562,000 in

the division rose 16 per cent to £25.19m (£21.71m). Mr Ken Wade, a non-executive director who was appointed chief executive to reorganise the management

year industrial doors earned

£109,000 (£2.26m). Turnover for

said the company appointed divisional finance directors to institute better financial controis. It also consolidated several subsidiaries. Mr Wade has since returned to a non-executive role.

Last November the group warned that profits would be down after it became apparent that it could not fill its heavy

the second six months. For the Wade said the scale of the próblems "came as a surprise" because the company tradition-ally did a stock-take only once every six months, Monthly stock-takes have been started. "We do feel now we have things under control," said Mr

Ken Harrison, chairman. "We

see no reason why it shouldn't

be a successful year." The company said sales have not felt interest rate pressure and that order books are up from last Earnings per share dropped to 10.7p (21.2p) and the direc-

tors have proposed a final divi-dend of 4.75p for a total of 6.85p, steady from a year earvolume of orders on time. Mr

Renaissance to raise £5.32m

RENAISSANCE Holdings, a recovery and turnround, plans to add £5.32m to its investment kitty with a rights issue of con-vertible loan stock.

Renaissance currently has 17 investments and has set a goal of holding 40 such stakes

within two years.

Mr Nicky Branch, chairman, said the capital injection should allow the company to boost its holdings to 30 invest-ments by 1990. tional potential investments, which it expected to finalise within two or three months.

particular interest in possible investments in the US, where it already has three holdings, because it generally realises higher returns there.

The company, which has net assets of 211m, only takes minority stakes in its invest-

He said the company had ments. It provides "hands on" ing occasional "parachute teams" for crises - to all the

MIM BRITANNIA **UNIT TRÙST MANAGERS** LIMITED Scheme of Amalgamation MIM Britannia Drayton Japan Unit Trust with MIM Britannia Japan Performance Trust



As a result of the passing of Extraordinary Resolutions by the unitholders of the above Trusts at separate meetings, the Scheme became effective on 2nd June 1989. The terms of exchange of units of MIM Britannia Drayton Japan Unit Trust for mits of MIM Britannia Japan Performance Trust is as follows:—

1 Unit of MIM Britannia Drayton Japan Unit Trust = 1.46173 units of MIM Britannia Japan Performance Trust (Accumulation) (ex sub-division 3-1).

Replacement certificates will be August, 1989 to the former holders of Units of MIM Britannia Drayton Japan Unit Trust.

CREGEM FINANCE N.V. (Incorporated with limited liability in the Netherlands) ¥15,000,000,000

Floating Rate Notes due 1992 (the "Notes") Unconditionally and irrevocably guaranteed by

Crédit Communal de Belgique S.A./ Gemeentekrediet van België N.V. (Established in the Kingdom of Belgium)

Notice is hereby given that for the interest period from 7th June, 1989 to 7th December, 1989, the Notes will carry an Interest Rate of 5.15%

¥258,205 per ¥10,000,000 Note. Agent Bank The Long-Term Credit Bank of Japan, Limited Tokyo

Interest payable on 7th December, 1989 will amount to



Korea First Bank

U.S.\$20,000,000

Floating Rate Certificates of Deposit due 1989 (Redeemable at the Certificate Holder's option in 1987) In accordance with the provisions of the above Certificates, notice is hereby given that for the six months from 12 June 1989 to 11 December 1989, the Certificates of Deposit will carry an interest rate of 91/15 per annum.

The interest payable on each U.S.\$500,000 Certificate on the maturity date, 11 December 1989, will be U.S.\$23,697.92



KLP shrugs off postal strike with 57% rise

KLP GROUP, the sales tax profits for the year to Seppromotion company, overcame tamber 30, had continued into promotion company, overcame the continued impact of last September's postal strike to report pre-tax profits of \$2.4m report pre-tax profits of £2.4m for the six months to the end of March, a rise of 57 per cent. Sales more than doubled from £24.71m to £50.53m and earnings per share rose from 9.45p to 10.4p, reflecting the issue of paper to finance a series of acquisitions since the beginning of 1988. There is an interim dividend of £5p (2.1p). Mr Colin Lloyd, chief executive, said that the effects of the postal strike, which knocked an estimated £700,000 off pre-

the first quarter and constrained earnings. He said the direct sales divi-

sion, which had been hit by the dispute and which launches its main promotions in September, had seen profits reduced by around \$300,000 in the first six was now over the problem

months of the current financial year, but that the company With respect to protection against future postal strikes, Mr Lloyd said that the statu-tory limit of a £1 minimum on private letter postage made it difficult to provide alterna-

tives. However, the proportion of profits coming from the division is on a declining trend, and is forecast to represent 8
per cent of the total in the year
to September 1990, compared
with around 11 per cent in the

current year.
The setback in the directnailing division was offset by a strong performance at the overseas division, particularly in the US where all three US subsidiaries were ahead of bud-get. The division now accounts for about 40 per cent of turn-over and profits and is to be the focus of further expansion. Mr Lloyd said that the bal-

strong with nil gearing and net tangible assets at about 1450 per share compared with a share price of 247p. He said that two acquisitions could be expected before the year-end, one in the US and one in the

The company claimed that it was insulated from the effects of higher interest rates as businesses were spending on promotion to maintain market share. Mr Lloyd said that in previous recognitions that he is a second of the company recognitions. previous recessions KLP has performed relatively well "and that if history repeats itself then we should be fine".

The following changes in company share stakes have company share stakes have been announced: AB Electronic Scottish Amica-ble investment Managers now has under its management 2m ordinary (7.89 per cent).

Asda: First City Financial Corporation now holds 43.43m ordinary (3.73 per cent). Bradstock Group: Scottish Amicable Investment Managers hold 1.886m ordinary

shares,(7.67 per cent).
Burford Group: Singer & Friedlander is now beneficially interested in 7.8m (6.43 per cent).

Chamberlin & Hill: Greig Middleton & Co, on behalf of investment clients managed and advised by it, has acquired

2,000 ordinary for a total of 827,000 (23.4 per cent). Foseco: Mr Gilbert D Scharf and his brother Mr Michael J Scharf are the beneficial owners of 620,000 and 8.03m ordinary respectively. The total holding is 4.4 per cent. Hambros Advanced Technology: Hambros has disposed of 615,500 ordinary (8.17 per cent) reducing total holding to 9.59m (49.36 per cent).

Hickson International: Allied Commercial Exporters has acquired further 125,000 ordinary taking total to 12.813m (12.046 per cent).

HTV Group: Phillips and Drew Fund Management now hold on behalf of various discretion-

ary clients 13.396m (19.47 per cent).
Lamont Holdings: Ulster
Finance acquired 50,000 ordirinance acquired 50,000 ordinary at £2.45 each, bringing holding to 1.23m (5.37 per cent).

Lawteix United Overseas group has bought 25,000 ordinary to bring its total holding to

445,000 (11.02 per cent).

Lep Group: BNY Nominees has disposed of 1.45m ordinary reducing the total holding to 11.39m (8.75 per cent). Lincoln House: discretionary managed clients of Kleinwort Benson Investment Management hold 9.74m ordinary

(10.06 per cent). McLaughlin & Harvey: Prudential Pensions now holds 291,607 ordinary (5.42 per cent). M.M.T. Computing: Discretionary managed clients of Kleinwort Benson Investment Management hold 600,500 ordinary(5.82 per cent).

SHARE STAKES Peel Holdings: Competrol Establishment has acquired 100,000 shares making total 13.397m (20 per cent). Royal Sovereign: Emess has acquired further 213,000 ordi-nary and now holds 1.598m shares (29.9 per cent).
Security Services: Provident
Mutual Life Assurance has an
interest in 8.73m ordinary

stock units (7.97 per cent). Shandwick: Funds under man-agement of Baillie Gifford and Co. now own 4.64m ordinary shares (6.84 per cent). Storehouse: Standard Life Assurance has bought 2.55m ordinary to take its total holding to 5.6m (1.26 per cent). Michael Julien, director, bought 10,000 ordinary at 155p each, taking holding to 30,000. Sutcliffe Speakman: as a result of the transfer of client assets under the discretionary invest-

ment management of John Govett, the aggregate number of shares held by such clients now amounts to 3.02m (15.75 per cent). Takare: Singer & Friedlander holds 2.6m ordinary (21.28 per cent) and 204.262 ordinary (1.672 per cent) held in invest-

ment portfolios on behalf of its ment portfolios on behalf of its and its subsidiaries' customers. TR Technology: Mr Oliver R Grace, Mr Oliver R Grace Jr, Mr John S Grace, Ms Lorraine G Grace, Mr John H Pinto and Mr James J Pinto have an aggregate interest in 2.07m ordinary (5.68 per cent).

per cent). Waterglade International: NC Lombard Street Nominees for NNC Pension Trustee disposed of 500,000 ordinary reducing the holding to 1.09m (4.963 per

ers now has 1.036m ordinary shares (7.38 per cent) under Yeoman Investment Trust: London & Overseas Insurance Company has increased its

(17.04 per cent) with the acquisition of 75,000.

TR Trustees Corporation: Equitable Life Assurance Society has sold 2.15m ordinary leaving holding at 10.574m (5.98

Whitegate Leisure: JN Oppenheim, chairman, has increased the stake held to 7.73m ordi-

Wholesale Fittings: Scottish Amicable Investment Managholding to 4.2m income shares

COILCEITAS. Renaissance is also taking

The 8.5 per cent convertible issue, underwritten by Olliff & Partners, will be offered on the basis of £1 of loan stock for every two ordinary shares or warrants held. Conversion is set at 110p per ordinary share, against yesterday's market price of 100p.

Parkway to spend \$9.6m cash on expansion in US

PARKWAY GROUP, pre-press production services company, is to add to its expanding US operations by buying assets from Sterling-Regal, a New York-based reprographics business serving the advertising industry, for \$9.6m (£6.32m) cash.

The UK company, which is quoted on the USM, will acquire a purpose built produc-tion building in New Jersey, which contains modern pre-press equipment. It is also pur-chasingsome Sterling-Regal stocks and work in progress, and will re-employ some of the existing skilled work force from the New Jersey plant. Parkway already has operations in New York, Chi-cago and California involved in pre-press production stocks and work in progre

ing photographs for reproduc-tion in magazines or on post-

The New Jersey production unit will be linked to the group's New York colour labo-ratory by computer, enabling the provision of high quality colour separations for advertis-ing clients in the city.

KIO has 10.6% of Midland Bank The Kuwait Investment Office has confirmed the purchase of an additional 5 per cent stake in the Midland Bank. The 39.25m shares were sold by Hanson at 165p on Thursday. The purchase lifts the KIO's holding in the bank to 10.6 per cent.

pre-press production - prepar- | cent. Grand Central at £2m after 80% improvement

GRAND CENTRAL Investment Holdings, the international food manufacturer and distributor, announced pre-tax profits up just over 80 per cent to \$2.01m in the year to December this chairman said he was out the chairman said he was out the chairman said he was out to be said to the said he was out to be said to the said he was out to be said to the said he was out to be said to the said he was out to be said to the said he was out to be said to the said he was out to be said to the said he was out to be said to the said t

This compared with £1.11m last time and came from a 66 per cent improvement in turn-over from £12.61m to £20.95m. Tax took £364,000 (£141,000) after which earnings per 10p share were 5.1p, up 50 per cent on last year's 3.4p and the board is recommending a final dividend of 0.65p (0.5p) making a total for the year of 1p (0.8p). Administrative and distribu-

extraordinary debit of £157,000 this time.

where Mr ishwar Nahappan, the chairman, said he was confident of further growth this year. He also said he hoped to see an expansion of the company's manufacturing business in Singapore.

More time would be needed to rationalise the businesses and achieve a profitable return on investments in Australia, he said, but the group would continue to examine acquisi-tion and joint venture opportu-nities. He was confident that Administrative and discrioution costs were up at £3.2m (£1.53m) and the net interest charge also rose to £170,000 pany's trading base in Asia Pacific would be achieved.

Prowting profits up 68% as price of homes rises

PROWTING, Ruislip-based housebuilder, increased pre-tax profits by 68 per cent from £13.04m to £21.95m in the year

to February 28.
Turnover rose by 25 per cent, from £63.97m to £80.12m. Announcing the results - the first as a listed company - Mr Terry Roydon, managing director, said interest rate rises had led to a downturn in confidence in housebuilding

les had dropped by about a third in March to May, the first quarter of the current year. But the company was still bullish about the sector in the medium term, he added. Prowting completed sales on 704 units during the year. 433 in the first half and 271 in the

in the previous year, the company sold 728 homes. However, the downturn in sales was compensated for by an increase in the selling price of Prowting's hom

The average selling price rose to £100,000 compared with the previous year's £79,000 and Mr Roydon said this had now risen to £150,000 because of the different mix of properties.

Prowting's land bank contains 5,400 plots with zoning or planning permission, and 3,350 potential plots. At the 1988-9 rate of sales that would repre-



ent an eight year reserve. Mr Roydon said this land bank would be used sparingly with the future in mind. "Mar-gins are much more important A final dividend of 3.3p will make a maiden total of 5p. Earnings per share worked out at 23.3p (16.2p). An extraordi-nary credit of £413,000 (£672,000 charge) included interest

• COMMENT Prowting says some unfashion-

raised on the excess monies received at the time of its flota-

tion, which was 19 times over-

able things in an unfashionable sector, and these two negatives might just be enough to ensure a positive outcome for the company. Unlike many oth-Prowting is quite happy with its exposure in the South and argues that this area still has the best prospects for future economic growth. It is also remarkably insouciant about the state of the market and suggests that the present woes are temporary and will dissolve when a downward dissolve when a downward trend in interest rates is finally perceived. Its healthy land bank and low gearing will stand it in good stead and enable it to weather the current squalls. But the question that overrides all these considerations is: when will the market pick up? Despite its strong constitution, Prowting can only expect to perform within the constraints imposed by the market and that may well mean that pre-tax profits will slip to £20m in the current year, giving Prowting a propsective multiple of about 6. That seems about right given the prospects for this year and the prospects for this year and next as the shares may drift along with others in the sector. But in the longer view Prowting looks tempting for those with this who are removed to

with faith who are prepared to

All-round progress at Chancery

By David Lascelles Banking Editor

CHANCERY, the London-based financial services group, increased pre-tax profits by 38 per cent, with contributions coming from all four of its main divisions, banking, financial services, corporate finance and stockbroking.

Profits for the year ended March 31 1989 were £6.8m, up from £4.9m. Earnings per share rose 30 per cent, to 22.7p from 17.5p. A final dividend of 5.5p makes a total 8p, an increase of one third.

increase of one third.

Banking earned £3.7m. One half of the business is property-related. Mr Harvey Cohen, the chairman, said the group claimed special expertise in that market, but was taking a cautious view of the outlook. He expected property to decline in importance as other business areas, such as factor. business areas, such as factor-ing, expanded. Financial services division

increased profits by 53 per cent, and corporate finance raised £31m for business Stockbroking earned £500,000 despite the much-pub-licised difficulties of the secu-

rities markets.
Mr Cohen sald the current year had started well. "There's a lot of things happening," he

Merger of two Murray trusts is planned after their performance disappoints

MURRAY JOHNSTONE, the Scottish fund management group, yesterday announced plans to merge two of its smaller investment trusts. The aim is to establish a new

combined trust, Murray Enterprise, from Murray Technol-OBY, with net assets of £13.3m at April 30, and Murray Electronics, which had net assets of £15.7m.
The fund managers admit

that the performance of the two funds has been disappointing but say that part of the aim of the reorganisation is to give the new trust a wider

The net asset value of Electronics fell from 96p when it was launched in 1963, to 54.5p at end-May, while the nav of Technology slipped from 97p at

small specialist trust in the

Tyndall stable, is planning

a partial unitisation.

This scheme is likely to

allow shareholders either to take units in Tyndall unit trust which specialises in the region, or share in a new "Pacific Hori-

its 1981 launch to 91.6p last month. The average discount over the past 12 months has been 37 and 38 per cent respectheir own shares. tively - well above average discount levels for the sector gen-

Under the merger scheme, both trusts will pay out their liquid balances to shareholders in cash in addition to a mixture of ordinary shares and convertible loan stock in the new trust in exchange for their existing holdings. The new trust would then be able to buy in the loan stock if it wished, enabling it to increase net assets per share.

Other trusts have recently introduced this feature, with the idea that it may help to control the discount to net

Because the price of units in

a unit trust is directly related to the value of the underlying

assets, anyone taking this route would be able to value or realise their holdings

This is in contrast to

the typical investment trust situation, where the shares

at close to net asset value.

AIT plans partial unitisation

nary shares trade. This extra capital class is necessitated because trusts cannot buy in

Enterprise will only make such purchases at prices repre-senting "a significant discount to the fully-diluted net asset

Under the terms of the merger, Electronics shareholders will get 10p per share in cash, plus Enterprise shares having a net asset value equi-valant to 25 per cent of attributable formula asset value (minus the cash element), and convertible loan stock having a nominal value equivalent to 75

per cent of fav.

The Technology shareholders get 6.66p a share in cash, plus Enterprise shares with an

usually trade at a significant

The managers said yesterday that the partial unitisation scheme had been partly

prompted by the wishes of Tyndall Life, part of the same group, which owns around 55 per cent of AIT.

discount to underlying nav.

attributable fav (again minus the cash element) and convertible loan stock with a nominal value equivalent of 75 per cent of fav. The main difference between the nav and far of the existing trusts is the cost of implementing the scheme, and the figure is expected to work out at about 2.5 per

Using an estimated fav per share at end-May of 53.3p for Electronics, and 89.6p for Tech-nology, someone with a 100 Electronics shares would get £10 in cash, 10.8 Enterprise shares and £32.50 of convertible loan stock, with 100 Tech-nology shares, the figures would be £6.67 in cash, 20.7 Enterprise shares and £62.20 in convertible loan stock.

The convertible stock can be converted on the basis of one share for every £1 nominal of stock on two specific dates in any year.

The new trust aims to put increased emphasis on develop-ment capital investment across broader range

industries. Murray Johnstone remains manager, on an annual fee of 2 per cent on unlisted invest-ments and 0.4 per cent on listed. This compares with 2.5 per cent on Electronics and 1.25 per cent on Techonolgy.

Arthur Shaw profits rise 27% to over £1m

ARTHUR Shaw, the USM-quoted maker and signer of safety and security designer of safety and security fittings for windows, reported a 27 per cent gain in pre-tax prof-its for the year ended April 2. Mr Ian Tickler, chairman, said the increase from £905,000 to £1.15m was achieved entirely through organic

growth. Turnover rose 15 per cent to £13.2m (£11.48m).

Earnings per share were up to 10.08p (9.36p), and a final dividend of 2.7p brings the

total to 3.8p (1.3p).

The chairman said the rise in interest rates might lower demand for fittings in new houses and replacement win-dows. But he expected any downturn will be compensa

Summer terms revised

By Philip Coggan

SUMMER International, the education and training group, has revised the terms of the sale of its Linguarama lan-guage school business to BPP Holdings, the financial train-ing, private education and pub-lishing group.

Summer has warranted that

the pre-tax profits of Linguarama will be not less than £1.25m, compared with the BPP has accordingly increased

from £8.1m to £10.13m.
The total consideration may reach a maximum of £20.03m if

Linguarama's pre-tax profits exceed 12.25m in 1990.

Meanwhile, Summer has altered the terms of the deterred consideration it originals. nally paid for Linguarama. It is now paying Alexander Proud-foot £1.72m in cash on complefurther £1.1m in March, 1990.

Somic 15% downturn

A 15 per cent drop in pre-tax profits was announced by Somic, the Preston-based kraft paper spinner and weaver, for the year to March 31. On turnover down from £3.61m to £3.46m, the pre-tax result fell to £291,494 against £348,614.

The final dividend, however, is being maintained at 2.25p for an increased 3.25p (3p) total. 9.84p per share after a tax charge of £94,682 (£119,481).

The directors said that although trade at home had been more or less in line with forecast, the present economic trends in the UK meant that the current year promised to

Hicking profit doubled

By Ray Bashford

HICKING PENTECOST, the Nottingham-based clothing and textile group which has attracted takeover speculation, increased pre-tax profits from £389,000 to £723,000 for the year ended March 31 1989.

Mr Stephen Hyde, managing director, again expressed con-cern about the activity in the company's shares during the past 12 months which has seen a large parcel of stock move between four shareholders.

Robertshaw Holdings, the private property company

headed by Mr Stuart Robert-shaw, acquired a 15 per cent stake last Feburary and has built it up to 18 per cent. Turnover was higher at

Turnover was higher at £19.16m (£12.67m) and after tax of £43,000 (£11,000) earnings per share came out at 10.66p (5.61p). A final dividend of 1.5p is being proposed to make a total for the year of 2p (0.5p). Mr Hyde, said this would form the new base from which dividends could move forward in line with the progress of the business.

IJ Dewhirst warning

By Alice Rawsthorn

IJ DEWHIRST, one of the largest and longest established suppliers of clothing to Marks and Spencer, has warned shareholders that its pre-tax profits may fall in the first half of this year due to sluggish consumer demand.

The company has also con-cluded a deal with Bruce Oldfield, a leading London fashion designer, to manufacture and market a less expensive cloth-ing collection to be called Bruce Oldfield Diffusion. Mr Anthony Vice, chairman, told the annual meeting that the group was experiencing a disappointing start to the present financial year. Sales were

showing only a slight increase

on the previous year and as a result profits may fall in the first half.

Tonks £7m purchase

By Richard Tomkins, Midlands Correspondent

NEWMAN TONKS, the agreed hid for Laidlaw Thom-Birmingham-based manufac-turer of architectural hardware, is making its second move into the distribution field with the acquisition of the Kent-based DA Thomas, an architectural ironmonger, for

The acquisition comes less than three weeks after Newman Tonks's first venture into distribution with its £14.5m son, the USM-quoted architec-

tural ironmonger.

DA Thomas will be bought mainly for cash, but \$509,875 of the consideration will be met through the issue of 297,500 new shares in Newman Tonks

at 205p a share. Mr Doug Rogers, Newman Tonks's chief executive, said DA Thomas was an excellent fit with Laidlaw Thomson.





Investing in our strong suits is bringing rewards

In the last year, Unigate has continued its policy of concentrating on those activities which it knows best and which show the greatest potential for growth - food and distribution. This strategy is now bringing rewards, with profits up 7% over 1988 at £100.5m. Sales have increased by a healthy 9% to £2,355m, and our progressive dividend policy is maintained by a 10% increase on 1988.

Following the sale of part of Unigate Dairies in early 1989 for £152 million, our dependence on the mature market for liquid milk for profit has been reduced from 30% to 20%. But food remains the Group's major business and accounts for 75% of our total sales.

KEY RESULTS		
	1989	1988
Turnover	£2,355m	£2,165m
Pre-tax Profit	£100.5m	£94.0m
Earnings per share	29.6p	27.бр
Ordinary Dividends	13.90p	12.65p

The continuing success of St Ivel's strong brands, Gold, Shape and Real, rewards their commitment to the needs and changing tastes of health-conscious consumers.

In America, our Frigo and Gardenia cheese brands achieved record sales and the Black-Eyed Pea restaurants enjoyed their best year ever.

Our Wincanton motor and transport busi-

ness showed a top gear performance with brisk acceleration to record profits.

The single-minded pursuit of excellence in those fields we know best will, we are sure, continue to pay handsomely in the years ahead.



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strainest have been approved for the purposes of section 57 of the Pranacial Services Act 1986 by By the ICAEW to carry on investment business, Plats performance is not pressurely an indication of future

Brent oil slides to 4-month low

OIL PRICES yesterday fell to 4-month lows as traders pon-dered uncertainty about production quotas among the Organisation of Petroleum Exporting Countries.

Brent Blend, the North Sea marker crude, was being traded on the European spot market at \$16.80%, down 74% cents on the day and well over \$1 less than at the end of last week's meeting of Opec Minis-

The Vienna meeting, which ended last Wednesday, reached a formal agreement to raise the a lormal agreement to raise the group's production quota by im barrels per day to 19.5m b/d. However two members, Kowait and the United Arab Emirates, rejected their quotas and made clear they would continue to exceed them.

Yesterday, Kuwait's higher oil committee reiterated its reservations at the Vienna deci-

ervations at the Vlenna deci-sion and renewed a call for a higher individual ceiling. The uncertainty was accompanied by a spate of diverging estimates by analysts around

Salamon Brothers, the US finance house, said there might be a quota "leakage" which would keep Opec production above 21m b/d in the third

quarter, compared with an international Energy Agency estimate of 19.6m b/d.

Wood MacKenzie, the Edin-burgh-based stock broker, said it expected a continued erosion of spot crude prices at least intil a meeting of the Open marketing committee in Sep-

It therefore assumed that the average spot price for Brent crude in the second half of the year would be \$16.30 a barrel, compared with \$18.20 for the first half, and an anticipated average for 1989 as a whole of \$17.25 a barrel.

A slightly more optimistic note was sounded by the Nicosia-based Middle East Reconomic Survey, which said Opec output could come down if there was "respectable quota observance among the Opec maiority and volume postraint. majority and volume restraint among the dissenters."
Petroleum Intelligence

Weekly, another industry newsletter, said there was a consensus in the market that prices would fall "only gently" provided that Opec overproduction was not excessive. The short-term danger for

Opec was that "Kuwait and the UAE may continue at full

Tin litigation enters final phase in House of Lords

By Raymond Hughes, Law Courts Correspondent

THE LAW Lords yesterday began hearing the final appeal by creditors of the International Tin Council in one of the major pieces of litigation that followed the council's collapse into insolvency in 1985.

After losing in the High Court and Court of Appeal, the creditors will make a final bid in the House of Lords to have the council's members held legally liable for its debts.

The hearing is expected to last about six weeks and the Lords are unlikely to give judg-

ment until the autumn. The ITC, which aimed to maintain a balance between tin production and consumption, and to prevent excessive price fluctuations, collapsed owing hundreds of millions of

Its creditors are challenging a Court of Appeal ruling in April last year that the mem-bers — the UK, 22 other states and the European Community - were not liable under English law.

The roling was made in actions by two London Metal Exchange traders - J.H. Ray-

TIN BUYERS taking delivery of the metal in Singapore from any approved warehouses of the Kuala Lumpur Commodities Exchange will have to pay a premium of US\$20 a tonne starting from August 1, writes Wong Sulong in Kuala Lum-

the KLCR, in an amouncement yesterday said the imposition of the premium was to reflect the higher cash tin prices in Singapore compared with Penang smelter prices, and to attract That and Indonesian traders who ship their

S.& W. Berisford group, and Maclaine Watson, a subsidiary of Drexel Burnham Lambert.
Two High Court judges had
held that, contrary to the traders' contention, the ITC had a distinct legal personality, separate from its members, and was therefore solely responsi-

ble for its debts.

That decision was upheld by the appeal judges by a 2-1 majority.

Lord Justice Kerr described

tin to Singapore for transshipment overseas to partici-pate in the kice tin futures

The exchange said prices were higher in Singapore because tin from Phuket (Thalland) and Banka (Indonesia) and sometimes from Penang, is transshipped at Singapore, thus increasing the feeder

Meanwhile, the executive council of the seven nation Association of Tin Producing Countries will hold a two day meeting in Kuala Lumpur,

argument that the ITC was legally inseparable from its members, who were an unincorporated association trading in the name of the ITC.

That submission, Lord Justice Kerr said, disregarded the fact that, like virtually every other international organisation, the FFC was a legal entity under international law. Lord Justice Ralph Gibson said that, although the mem-bers were not liable understarting today, to review the market situation, including the reintroduction of tin futures trading on the London

Metal Exchange on June 1.

The ATPC meeting is also expected to call for the early establishment of the proposed international tin study group to take over the data collections of the study group to take over the data collections. ing function of the international tin council which ceases operation at the end of this

So far, 36 producing and consuming countries have agreed to join the ITSG.

English law, and could not be ordered by English courts to pay funds directly to the ITC to satisfy the creditors' claims, they were probably liable under international law to provide sufficient funds to the

Lord Justice Nourse, how-ever, said that English and international law together provided a sound basis on which the members should be held liable to the creditors. An

recognise that in international law the attribution of legal personality to an international organisation did not necessarily free its members from liability for its obligations.

The three appeal judges were united in their criticism of the ITC and its members. The FTC's conduct, they said, was "unbecoming to an interna-tional organisation" and its members were "at least mor-ally obliged to put the ITC in funds to ensure that its credi-tors are ultimately paid in

The House of Lords hearing is being held against the back-ground of continuing attempts to resolve the dispute by diplo-

Meanwhile the second major Meanwhile the second major piece of tin litigation is wending its way towards the House of Lords. In February a High Court judge ruled that the non-UK ITC members did not have sovereign immunity against creditors' damages claims based on alleged reckless or fraudulent misrepresentation.

broker creditors had a good claim against the UK for trans-ulent misrepresentation - but the 1828 Statute of Frauda (Amendment) Act gave the UR a defence to such a claim, because it provided that no because it provided that no legal action should be brought unless the representation relied on was made in writing and signed by the defendants.

That last ruling took the edge off the creditors' delight at the judge's decision of sowerign immunity, which merely put the foreign states in the same position as the UK. in the same position as the UK. tation.

The states were subject to the jurisdiction of the English the 1828 Act defence.

court because of the commer-cial nature of the transactions that gave rise to the creditors'

claims, said Mr Justice Evens.

The states will challenge that ruling in the Court of

Appeal, probably later this

year. At the same time six bank and nine broker creditors

will appeal against the judge's

decision that they had no sta-tainable case against the UK for either negligent misrepre-sentation or fraudulent trad-

ing. Mr Justice Evans said the

Too much sun takes the shine off UK crop hopes

The recent storms were welcome, but many arable areas are still seriously short of moisture

Hope fades in talks on international coffee pact

By David Blackwell

Little progress was made yesterday as the positions of the two principal protagonists — Brazil and the US — remained entrenched. This left no hope that either of the two proposals for extending the current agreement beyond Sep-tember could be voted through. The full international Coffee to meet last night at 11 pm. Talks, which were not expected to break up until the early hours of this morning, had originally been scheduled to

ment led to negotiations con-tinuing through the weekend. The US, the biggest consumer, has consistently said that it would consider a oneyear extension of the agree-

end last Friday after a week. The battle to save the agree-

LANE WAREHOUSE STOCKS (Change during week ended last Priday) tornes

+17,100to 111,925 -6,750 to 96,360 -400 to 34,325 -552 to 2,796 -1,025 to 27,050 unchgd at 5 Silver (ez). unchanged at 9,082,000

TALKS ON the future of the International Coffee Agreement appeared to be heading for failure last night as the third 24-hour extension drew to a close.

Little progress was made

TALKS ON the future of the ment only if ICO export quotas were immediately redistributed to bring more arabica coffee onto the market. It is supporting a proposal along these lines by the "other milds" producers—mailtander producers. quality arabica growers. This would bring about 2m more bags of "other milds" coffee

onto the world market at the expense of other producers.

Brazil, the higgest producer, has been equally consistent in opposing any proposal which would reduce its 30 per cent share of the market under the export quota system. Export quotas are used by the ICO to try to stabilise market prices.

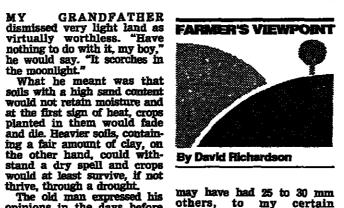
Brazil, Colombia and the EC

have jointly proposed a one-year extension of the current agreement in order to complete negotiations for a new agree-ment timed for it to start in October, 1990. The new agree-ment would begin to tackle the two-tier market, under which some coffee is sold to countries outside the agreement at dis-counts of up to 50 per cent, by quantitative restrictions on

Late yesterday evening no compromise was in sight. "The substantive debate is over," said one delegate. "There is no optimism that middle ground can be found."

Close

Previous High/Low



may have had 25 to 30 mm others, to my certain knowledge, had only 5 to 10

opinions in the days before field scale irrigation, of course, which has revolutionised production from the sands. He On our farm, for instance, we had a violent thunderstorm, also reckoned without the experience of the last few with lightning striking a farm-house. It destroyed an Elizabe-than chimney, burned out elec-A series of wet summers through the 1980s has enabled trical wiring, fuse boxes, through the Bess has enabled light land farmers, even those without irrigation, to produce excellent crops from their easy working soils. Farmers fighting with heavier, so-called better land, have been green with envy. This year, however, old telephone lines, two computers and a few other things besides (insurance company please note). But the rain associated with it was limited to just 9

That said, I am bound to contime wisdom may come into its cede that last week's modest rainfalls were welcome and did some good. In most areas, how-Those who were caught in some of last week's storms may find it difficult to believe that many crops in the south and east of Britain in particucrops such as autumn-sown wheat and barley remained at and east of Britain in particular are still suffering from lack of moisture. Bear in mind, however, that by their very nature summer rains of this critical levels and in some places it actually increased. The damage was done during May. In this our of East Anglia we recorded about 300 hours of

almost 10 hours a day, which was 50 per cent above the long-term average. In those conditions, with a

crop in full growth, such as wheat, the transpiration rate

- that is, the amount of moistime moving up from the roots through the stem and out of the leaves into the atmosphere — is the equivalent of 5 mm of rain a day or 35 mm a week. Even when the weather is overcast and cloudy, wheat plants lose between a millimetre and 25 mm of moisture a day and if that is not replaced crops eventually begin to show signs of stress. This is in fact normal in the arable areas of Britain, but

does not usually happen until late June or July when cereal crops are in any case ripening and beginning to need less Critical levels of moisture deficit vary according to soil type and crop. But in general terms the yield potential of a cereal crop on light land will begin to suffer at about 50 mm below optimum and on heavier land at about 100 mm below. By the end of last week in our immediate area of Norfolk, moisture deficits on winter

cereals were well above 100 mm and rising.

Look over almost any hedge in East Anglia and the results are obvious. On unirrigated light land patches of cereals — usually barley — have died off already. And the patches are growing as the drought contin-

US MARKETS

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GOLD, SILVER and platinum prices recovered slightly as scattered short covering rebounded the markets, reports Drexel Burnham Lambert.

On heavier soils where wheat dominates cereal crop-ning the tips of so-called flag leaves have died and gone yel-low because of lack of rain. This is the first sign of moisture stress. At a time when the grains in the ears are filling and ultimate yield is being determined, it is certain to

A month ago, when most crops looked very well and before the drought had begun to bite, the Home-Grown Cereto bite, the Home-Grown Cereals Authority issued statistics on the UK crop. Plantings of wheat, they revealed, were up 10.3 per cent and the total UK cereals area was up 0.6 per cent to 9.6m acres. If average yields were up to 1934 levels, said the authority, this would produce a total UK grain harvest of a record 26.17m tonnes. The authority also pointed out that an average yield similar to 1963 would produce a harvest of just 21.28m tonnes. At the time that possibility was discounted if the drought persists through the summer.

persists through the summer, however, even that could prove optimistic.

Meanwhile, the UK's 500,000 acres of sugar beet, most of which are in the east of-England, would benefit from rain but as the crop will not reach peak moisture demand until July, the drought is not immediate problem. the Aphids, which survived the mild winter in large numbers, are intesting crops and almost certainly doing serious dam-

insects eat, although that can cause concern in an extended cause concern in an extended dry period, as the disease which some of them carry. Virus Yellows, which can decimate a sugar heet crop, reducing both yield and sugar content in the root significantly, is spread by the aphid musus persions.

This year, according to bos-fins at Brooms Barn, the sugar beet research station near Bury St Edmunds in Suffolk, epidemic proportions and exceeded those in the disas-trous summers of 1974 and 1976. Those were years of severe reductions in UK sugar produc-tion, which, combined with world shortages, caused queues at supermarkets for limited supplies. It seems unlikely, although

by no means impossible, that UK sugar production will be hit hard enough to cause such a panic this year. About twothirds of the national acreage of sogar beet was planted in good conditions at the right time just after Raster and hav-ing germinated well, is now looking premising. In fact, if it-were not for aphids and the probability that most crops have at least some Virus Yel-lows infection, some farmers might now be looking forward to yields as high as in the record year of 1982. In addition, the aphid prob-lem was predicted as early as last February as frosts failed to materialise during the winter

COPPER 25,000 lbs; cents/lbs

108.65 108.65 107.75 108.90 105.00

110,25 111,05 110,05 109,10 108,50

CRUDE Oil. (Light) 42,000 US galls \$/barrel

best growers applied a grane-lar insecticide to their fields during planting. This helped protect those crops from infest

But the effectiveness of that treatment has now worn off and farmers are being urged by British Sugar, which processes the crop, to take further mea-sures. Only one insecticing partly because sphids have begun to develop immunity to-others and partly because it. kills aphids and not beneficial

Now, however, because of the size of the problem, which also spreads across virtually all the sugar best fields of northern Europe, there is a shortage of the product. ICI, which manufactures Pirini-carb under the brand name Aphox claims, to have produced four times the normal amount of it this year and to be producing more as fast as

But as demand increases through the summer as farmers need to tackle aphids on other crops like potatoes, beans and cereals, the possibil-ity exists that supplies will run

All we can hope for then is that there will be an explosion in the number of aphid preda-tors which will eat them. It is called biological control, it is cheaper than chemical control and it is Green. I for one am hoping for a plague of lady-

SOYABEANS 5,000 bu min; cents/60th bushel

673/6 638/4 627/0 636/2 646/0 653/4 654/4

386/4 394/0 407/2 413/4 402/0 371/6

Prev

31.95 31.92 47.30 46.80 49.00

~

20.35 20.53 20.70 20.85 21.20 21.39 21.70 21.82

682/0 627/0 614/0 635/0 641/0 642/0

201.3 195.6 180.5 184.0 183.5 184.5 184.6

305/2 406/6 414/6 482/0 359/0

66.85 66.60 71.32 71.60 71.72 71.70

47.60 48.65 45.10 41.72 43.97 45.75 43.30 47.15

31.70 31.70 47.00 46.60

High/Law

Chicago

LONDON MARKETS

THE CONTINUED strength of the dollar was the outstanding factor in the metals markets yesterday. On the London bullion market gold sagged another \$8.50 to \$360 a troy ounce. while on the London Metal Exchange the dollar-denominated base metals all came under pressure. Cash high grade zinc was down \$30 at \$1,495 a tonne, cash aluminium fell £42.50 to \$1,877.50 a tonne and cash nickel plumbed fresh 6-month lows before ending \$775 down at \$11,750 a tonne. In contrast renewe concern about supply availability lifted cash lead by £15 to £442.50 a tonne. while the three months position gained another £4 to a near two-year high of 2410.50 a tonne. Copper, the LME's other sterling market, relinquished £14 of last week's £82 raily, despite the bullish currency influence and another large fall in LME warehouse stocks.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Duban Brent Blend W.T.L (1 pm est)	\$14.55-4.70v \$16.77-6.84v \$19.45-9.50v	745
Oil products (NWE prompt delivery per t	onné CIF)	+ or -
Premium Gasoline Gas Oil Hosry Foel Oli Naphiha Petroloum Argus Estimates	\$220-222 \$139-139 \$85-86 \$170-172	-3 -6 -25 -7
Other		+ or -
Gold (per troy oz) Silver (per troy oz) Platinum (per troy oz) Palladium (per troy oz)	\$360.0 521c \$483.90 \$150.75	-8.5 -20 -10.36 -3.25
Aluminium (free market) Copper (US Producer) Lead (US Producer) Nickel (free market)	\$1875 116 ⁵ g-117c 37.25c 560c	-25 + 1; -15
Tin (European free market) Tin (Kusis Lumpur market) Tin (New York) Zinc (US Prime Western)	\$10190	-155 +0.15 -5.75
Caule (ilvo weight)† Shoop (dead weight)† Pigs (ilve weight)†	122.58 ₀ 205.34 ₀ 92.73 ₀	+0.94" -29.8" +5.28"
London daily sugar (raw) London daily sugar (white) Tate and Lyle export price		+2 +25
Barley (English feod) Maize (US No. 3 yellow) Wheat (US Dark Northern)	£104w £131.5 £130.5u	+ 1.0
Rubber (spot) P Rubber (Jul) P Rubber (Aug) P Rubber (KL RSS No 1 Jul)	68.0p 63.5p 64.0p 252.5m	+0.5 +0.5 +0.5 -1.0
Coconut oil (Philippines)§ Paim Oil (Malaysian)§ Copra (Philippines)§ Sovoheans (US)	\$557.5x 5380 \$355 £196u	-5

Cotton "A" index Wooltops (64s Super) ¢-cents/ib. r-ringgit/kg. v-Jul. u-Jun/Jul. x-Juli Aug. w-Aug. z-May/Jun. †Meat Commission averaĝe latatock pricos, * change from a week ago. Tuondon physical market SCIF Retterdam.

A Bullion market close, m-Malaysian cents/kg.

	Close	Previous	High/Low	
Jul	817	817	824 810	
Sep Dec	837 892	835 888	841 830	
Mar	885	888 888	894 885 894 886	
May	888	892	894 686 896 890	
Jul	912	905	907	
Sep	930	918	924 915	_
Turnove	r:4040 (50	(51) lots of	10 tonnes	_
price for	r.Jun 9 10	71085 (25UH 05.90 (1001	à per tonna). Del 34) :10 dey evera	
for Jun	10 979.68	(982.68)		•
	E £/tonne			
	Close	Previous	High/Low	-
fb.	1220			_
Jiy Sep	1220 1188	1221 1195	1230 1211 1205 1185	
Nov	1177	1186	1197 1175	
Jen Mer	1178 11 6 6	1182 1174	1190 1171 1169 1165	
May	1165	1178	1109 1105	
Jly	7165	1165	1169	
Титкоче	r:2186 (27	13) lots of	5 tonnes	_
ICO Ind	icator pri	ces (US ce	ints per pound) f (113.54) . 15 da	0
aun e;	115.28 (1	BIRY 113.47 144 AM	(113.54) . 15 da	•
				_
	(S per tor			
Raw	Close	Previous	High/Low	
Aug	264.80	259.60	265.00 257.40	
Oct Dec	283.80 262.00	259.00 256.80	283.80 262.00	
Mar	255 40	250.80	254,00 253,40 249,00	
May	255.00 254.00 253.00	250.20	252.00 248.00	
Aug	254.00 263.00	254.00 249.00	250.80 250.20	
White	Close			_
		Previous	High/Low	_
Aug Oct	359.00 332.50	358.00 330.00	359.00 336,00	
Dec	324.00	322.00	332.00 328.50	
Mar	312.00	310,50	311.00 308,00	
May	310.00	309.00	308.00 305.00	
Turnove	310.00 r: Raw 3	309.00 675 (4693)	308.00 305.00 lots of 50 tonne	8
Turnove White 10	310.00 r: Raw 3 197 (1190)	309.00 675 (4693)	lots of 50 tonne	
Turnove White 10	310.00 r: Raw 3 197 (1190)	309.00 675 (4693)	lots of 50 tonne	
Turnove White 10 Parts W Dec 219	310.00 r: Plaw 3 997 (1190) Phite (FFr 0, Mar 21	308.00 3075 (4683) per tonne): 10, May 21		
Turnove White 10 Parts W Dec 219	310.00 r: Flaw 3 197 (1190) hite (FFr 0, Mar 21 Ott. \$/ber	309.00 1875 (4693) per tonne): 10, May 21	lots of 50 tonne Aug 2440 Oct 224 10 Aug 2110.	
Turnove White 10 Parts W Dec 219	310.00 r: Plaw 3 997 (1190) Phite (FFr 0, Mar 21	309.00 1675 (4693) per tonne): 10, May 21	lots of 50 tonne Aug 2440 Oct 224 10 Aug 2110.	
Turnove White 10 Parts W Dec 219 CHUDE	310.00 r: Flaw 3 197 (1190) hite (FFr 0, Mar 21 Ott. \$/ber	308.00 675 (4683) per tonne): 10, May 21 rel Previou	lots of 56 tenne Aug 2440 Oct 224 10 Aug 2110.	
Turnove White 10 Perts- W Dec 219 CRUDE	310.00 r: Raw 3 997 (1190), faite (FFr 0, Mar 21 OH. \$/ber Close 16.64 16.45	308.00 675 (4683) per tonne): 10, May 21 rel Previou	lots of 56 tonne Aug 2440 Oct 224 10 Aug 2110.	
Turnove White 1(Perts- W Dec 219 CRUDE Aug Sep IPE Inde	310.00 r: Raw 3 997 (1190) hits (FFr 0, Mar 21 Close 16.64 16.45 ex 17.57	308.00 1875 (4683) per tonne): 10, May 21 rel 17.34 17.15 17.34	lots of 56 tonne Aug 2440 Oct 224 10 Aug 2110. 10 High/Low 17.00 19.60	
Turnove White 10 Perts- W Dec 219 CRUPPE Aug Sep IPE Inde	310.00 r: Raw 3 807 (1190) 7hite (FFr 0, Mar 21 Close 16.54 16.45 r: 6407 (8	308.00 1875 (4683) per tonne): 10, May 21 rel 17.34 17.15 17.34	lots of 56 tonne Aug 2440 Oct 224 10 Aug 2110. 10 High/Low 17.00 19.60	
Turnove White 10 Perts- W Dec 219 CRUPPE Aug Sep IPE Inde	310.00 r: Raw 3 997 (1190) hits (FFr 0, Mar 21 Close 16.64 16.45 ex 17.57	308.00 1875 (4683) per tonne): 10, May 21 rel 17.34 17.15 17.34	lots of 56 tonne Aug 2440 Oct 224 10 Aug 2110. 10 High/Low 17.00 19.60	
Turnove White 10 Perts- W Dec 219 CRUPPE Aug Sep IPE Inde	310.00 r: Raw 3 807 (1190) 7hite (FFr 0, Mar 21 Close 16.54 16.45 r: 6407 (8	308.00 1676 (4683) per tonne): 10, May 21 Tel 17.34 17.34 17.34	lots of 50 tonne Aug 2440 Oct 224 10 Aug 2110. 19 High/Low 17.00 16.60 16.72 16.40	
Turnove White 10 Perfor W Dec 219 CRUDE Aug Sep IPE Inde Turnove	310.00 r: Raw 3 ph 15 (FF r 0, Mar 21 Close 16.64 17.57 r: \$407 (8) L \$/borne Close	308.00 1676 (4683) per tonne): 10, May 21 Tel 17.34 17.34 17.34 17.34 17.34	lots of 50 tonne Aug 2440 Oct 224 10 Aug 2110. 10 High/Low 17.00 16.60 16.72 16.40 High/Low	
Turnove White 1(Parts- W Dec 219 CRUDE Aug Sep IPE Inde Turnove GAS GE	310.00 T. Raw 3 307 (1190) Phits (FFT 0. Max 21 GB. \$/be; Close 16.64 16.45 x 17.57 T. \$407 (8) L \$/tonne Close	308.00 676 (4683) per tonne): 10. May 21 rel 17.34 17.18 17.34 17.34 17.34 17.34 17.34	Aug 2440 Oct 224 10 Aug 2110. 11 High/Low 17.00 16.60 16.72 16.40 High/Low 140.00 138.00	
Turnove White 11 Perls- W Doc 219 CRUDE CRUDE Aug Sep IPE Inde Turnove GAS GE Jul Aug Sep	310.00 T. Raw 3 197 (1190) Phite (FF) 0, Max 21 Close 16.64 16.45 ex 17.57 T. \$407 (8) L \$fronne Close 138.25 738.25	309.00 9675 (4683) per tonne): 10, May 21 Tral 17.34 17.15 17.34 17.15 143.00 143.00 142.75	lots of 50 tonne Aug 2440 Oct 224 10 Aug 2110. 17.00 18.00 16.72 16.40 High/Low 140.00 138.00 740.00 138.00 141.25 138.75	
Turnove White 11 Perfs- W Dec 219 CRUDE CRUDE Aug Sep IPE Inde Turnove GAS Op Jul Aug Oct	310.00 17. Raw 3 187 (1190) Thite (FF) 0. Max 21 Close 16.64 16.57 17.57 19.25 138.25 138.25 138.25 141.25	309.00 1675 (4683) per tonne): 10, May 21 rel 17.34 17.15 17.34 17.34 17.34 17.34 143.00 142.75 142.75 144.00	High/Low High/Low 14.00 138.00 141.00 138.00 141.25 136.75	
Turnove White 10 Perts-W Doc 278 CERUIDE Aug Sep IPE Inde Turnove GAS Og Aug Sop Oct Nov	310.00 17: Raw 3 187 (1190) 18to (FF) 0. Max 21 08. \$fbs; 16.54 16.45 x 17.57 1590 1590 1590 1590 1510 141.25	309.00 9678 (4683) per tomel: 10, May 21 17.34 17.15 17.34 17.34 17.15 143.00 Previous 143.00 143.00 143.00 143.00 143.00 143.00 143.00 143.00	iots of 50 tonne Aug 2440 Oct 224 10 Aug 2110. 10 High/Low 17.00 18.60 18.72 18.40 High/Low 140.00 138.00 141.25 138.75 142.50 140.75	
Turnove White 10 Peris- W Doc 219 CRUDE Aug Sep IPE Inde Turnove GAS GE Jul Aug Sep Oct Nov Dee	310.00 F. Raw 3 107 (1190) Thits (FF) O. Mar 21 OS. \$/bs; Close 16.64 16.45 X 17.57 F. \$407 (8) L. \$/tonne Close 138.25 141.25 142.50 143.50	309.00 9675 (4683) per tonnel: 10, May 21 Tral 17.34 17.15 17.34 17.15 143.05 143.05 143.05 144.00 146.05 146.05 146.05	High/Low 140.00 138.00 High/Low 140.00 138.00 140.00 138.00 140.00 138.00 141.25 138.75 144.50 141.75 144.50 141.75	
Turnove White 10 Peris- W Doc 219 CRUDE Aug Sep IPE Inde Turnove GAS GE Jul Aug Sep Oct Nov Dee	310.00 F. Raw 3 107 (1190) Thits (FF) O. Mar 21 OS. \$/bs; Close 16.64 16.45 X 17.57 F. \$407 (8) L. \$/tonne Close 138.25 141.25 142.50 143.50	309.00 9678 (4683) per tomel: 10, May 21 17.34 17.15 17.34 17.34 17.15 143.00 Previous 143.00 143.00 143.00 143.00 143.00 143.00 143.00 143.00	High/Low 140.00 138.00 High/Low 140.00 138.00 140.00 138.00 140.00 138.00 141.25 138.75 144.50 141.75 144.50 141.75	
Turnove Writzs 11 Parts-W Dec 219 CRUDE Sep Turnove GAS GE Jul Aug Sep Oct Nov Dec Turnove	310.00 F. Raw 3 107 (1190) Thits (FF) O. Mar 21 OS. \$/bs; Close 16.64 16.45 X 17.57 F. \$407 (8) L. \$/tonne Close 138.25 141.25 142.50 143.50	309.00 9675 (4683) per tonnel: 10, May 21 Tral 17.34 17.15 17.34 17.15 143.05 143.05 143.05 144.00 146.05 146.05 146.05	High/Low 140.00 138.00 High/Low 140.00 138.00 140.00 138.00 140.00 138.00 141.25 138.75 144.50 141.75 144.50 141.75	
Turnove White 10 Perss W Doc 219 CERUIDE Aug Sep IPE Inde Turnove GAS GB Jul Aug Sop Oct Nov Dec Turnove	310.00 F. Raw 3 F. Raw 3 F. Tinew	309.00 9678 (4683) per tomel: 10, May 21 10, May 21 17:34 17:18 17:34 17:34 17:34 143:00 143:00 143:07 143:07 143:07 143:07 143:07 143:07 143:07 143:07 143:07 143:07 143:07 143:07 143:07 143:07 143:07 143:07 143:07	lots of 50 tonne Aug 2440 Oct 224 10 Aug 2110. High/Low 17.00 16.60 16.72 16.40 High/Low 140.00 138.00 141.25 136.75 142.50 140.75 144.50 142.75 145.00 142.75	
Turnove White 10 Paris-W Dec 219 CRUDE Sep PE Inde Turnove QAS GE Turnove Turnove Transve	310.00 F. Raw 3 107 (1190) Phito (FF) D. Mar 21 GBL \$/ber 16.64 16.65 17.57 F. \$407 (8) L \$/tonne 139.25 143.25 142.20 r \$0070 (45) r \$0070 (45)	309.00 975 (4683) per tonne): 10, May 21 rel 17.34 17.14 17.15 143.00 142.75 144.00 146.00	High/Low 140.00 138.00 16.72 16.40 High/Low 17.00 16.00 16.72 16.40 High/Low 140.00 138.00 141.25 136.75 144.50 141.75 145.00 142.75 00 lonnes	
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Turnove White 10 Perts-W Dec 219 CRUDE PE Inde Turnove GAS 09 Aug Aug Aug Aug Turnove Turnove Tirac fincluc Broke scive	310.00 17. Raw 3 187 (1190) 18tha (FF) 0. Mar 21 08. \$/ba; 16.64 16.45 17.57 16.50 17.57 18.25 138.25 141.25 142.50 143.50 160.92 180.92	309.00 675 (4683) per tonnel: 10, May 21 rel 17:34 17:15 17:34 17:15 142:75 142:75 144:00 148:75 85 lots of 1 750 package offshore, reation. This idded by son	lots of 50 tonne Aug 2440 Oct 224 10 Aug 2110. 11 High/Low 17.00 18.00 16.72 16.40 High/Low 140.00 138.00 740.00 138.00 141.25 138.75 142.50 140.75 144.50 141.75 144.50 141.75 145.00 167.75 145.00 167.75 145.00 167.75 145.00 167.75 145.00 167.75 145.00 167.75 145.00 167.75 145.00 167.75 145.00 167.75	
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Turnove White 10 Peris W Dec 219 CERUIDE Aug Sep IPE Inde Turnove GAS OB Turnove Turnove Texas There Include Broke active export	310.00 T. Raw 3 T. S. Page 5 T. Page 6 T. Page 7 T. Page 6 T. Page 7	309.00 9678 (4683) per tonne): 10, May 21 10, May 21 17:34 17:34 17:34 17:34 17:34 143:00 143:05 143:00 148:75 142:75 144:00 148:75 148	lots of 50 tonne Aug 2440 Oct 224 10 Aug 2110. High/Low 17.00 16.60 16.72 16.40 High/Low 140.00 138.00 141.25 136.75 144.50 141.75 144.50 142.75 00 tonnes es en offer sports the Tea was a strong and ne additional coloury medium	
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Turnove Writte 11 Perts-W Dec 219 CRUDE PPE Inde Turnove GAS GE Turnove Turnove Trans Trans Include Britise Br	310.00 F. Raw 3 107 (1190) Phite (FFT 0. Mar 21 Close 16.64 16.45 K 17.57 F. \$407 (8) L \$/tonne Close 138.25 141.25 142.25 142.25 142.50 143.50 F. \$070 (45 F. \$070 (45 F. \$100 (45) F. \$100 (45)	JOS.00 GTS (4683) per tonnel: 10, May 21 Previous 17.34 17.15 17.34 17.15 142.75 144.00 148.75 144.00 148.75 15ibots of 1 750 package offshore, reston. This ided by saw Bright and gere keenly dearer. Descriptions will be my while one while one while he we while one while o	Ids of 50 tonne Aug 2440 Oct 224 10 Aug 2110. 11 High/Low 17.00 18.60 18.72 16.40 High/Low 140.00 138.00 140.75 138.75 142.50 141.75 142.50 141.75 145.00 142.75 00 tonnes es on offer sports the Yea was a strong and ne additional coloury madium competed for and strong and strong and strong and strong and soloury madium competed for and strong and s	
Turnove White 11 Perts-W Dec 219 CRUDE Aug Sep PFE Inde Turnove GAS GE Tirnove Turnove Trace Trace Erose sciper East / were advar erity 8	310.00 T. Raw 3 T. Sher T. Sher T. Sher T. Short	oper tonnel: 10, May 21 Previous 17.34 17.15 143.00 142.75 144.00 146.75	Ids of 50 tonne Aug 2440 Oct 224 10 Aug 2110. High/Low 17.00 16.60 16.72 16.40 High/Low 140.00 138.00 140.00 138.00 140.00 138.00 140.50 140.75 144.50 141.75 145.00 142.75 Oc tonnes es on offer ports the Tes was a strong and me additional coloury medium competed for and strong and additional coloury medium competed for and strong and Africans also early all forms are were still quentity of	
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	LONDO	METAL
		Cicae
	Cash	1875-80 1828-8
	3 months	1826-8
	Capper, Cash	Actual
_	3 months	1640-2 1630-1
	Lord (E)	440-5
. Daily verage	Cash 3 months	410-1
	MCKE (s	
	Cash 3 months	71700-8 11200-5
	Tin (\$ pe	r tonnet s
	July 3 8 months	10225-4 10250-5 Iclail High 1615-20 1525-30
	Zinc, Spi	ciel High
	Cash	1615-20
	3 months	r tonne)
nd) for	Cesh	1490-50
nd) for 5 day	3 months	1450-5
	POTATO	MES Chons
	-4.2	Close
	Nov Feb	100.0
0	Apr May	109.0 130.0 196.9 214.0
3	Turnova	214.0 964 (446)
	10100-0	
<u> </u>	SOYABI	TÀN MÁ
3		Close
• .	Jun Aug Oct	153.00 147.50 147.00
?		147.00 (110)lots
onnes.	LUTIOVE	L (110)1000
2240,	FREIGH	T FUTUR
	Jun	1385 1380 1480 1525 1530 1460
	Jul Oct	1480
0	Jan Apr BFI	1525 1530
0	BF1	1460 r 168 (110)
	i un Tabre	100 (110)
	GRARE	E/tonne
	Wheat	Close
	Jun Sec	115.80 104.90
	Sep Nov	107.95
	Barley	Close
	Sep Nov	103.65 107.05
. 1	Jen Mar	110.40 113.30
and	May	114.75
um	TURNOVE	r: Wheat 1 r lots of 1
end		
lso	PIGS (C	ash Settle
vere vi		Close
ore	Aug	114.0 111.0
	Oct Nov	115.0
		116.0 r 27 (36) 1
		_ () -

kind are isolated rather than general and while some places

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Aug Sap Nov Jus May Jus May reports Drexel Burnham Lambert. Technical selling weakened the copper despite a decrease in LME stocks. In the softs, coffee hitures had the days most active seasion as the news of the coffee talks failing sank prices down the limit. Sugar futures gained from light local buying. Cocoa trading was slow. In the livestocks, pork belies railled due to higher cash prices and increased fresh product interest. Cattle futures gained with a discount of futures to cash noted. Carryover buying kept the hogs higher as well. Cotton futures advanced the limit due to commission house buy stops. The energy complex fell sharply on tresh 682/4 629/6 618/0 627/0 636/4 645/0 645/0 19.56 17.62 17.57 17.35 17.30 17.17 17.04 17.06 17.04 19.88 18.41 18.14 17.94 17.79 17.65 17.85 17.46 17.37 Cices Jul Alig Sup Oct Dec Jun May 20.01 20.20 20.42 20.66 20.89 21.02 21.45 21.86 HEATING Off. 42,000 US gallo, corta/US galla energy complex fell sharply on fresh selling from trade and commission houses. Most of the grains were lower as the continuing raintall weighed on Aug Sep Oct Nov Dec Jan Feb 201.7 196.0 189.7 184.7 184.4 184.6 184.1 183.5 Jul Aug Sep Oot Dec Jen Mer May **New York** BOLD 100 tray oz.; \$/tray oz. Ciose Previous High/Low 358.1 359.5 362.0 365.7 369.4 378.1 377.0 380.9 384.5 358.5 0 362.8 386.5 370.0 374.6 377.5 384.5 389.0 363.0 0 367.0 370.5 374.6 377.8 380.5 386.0 388.0 E "C" 37,500fbs; cents/fbs Close Previous High/Low 124,90 129,89 119,75 126,98 117,59 123,63 117,20 122,20 118,00 121,00 118,00 119,50 Jul Sep Dec Mar May Jul Sep Close Previous High/Lox 484.5 487.0 489.0 485.0 0 491.0 493.0 492.6 495.0 0 485.7 467.7 469.2 482.7 498.7 465,4 460,2 491,3 494,8 496,8 Close Previous High/Low 11.81 11.80 11.12 11.40 11.33 11.28 Jul Cot Jan Mar May Jul Oct 11.67 11.65 10.97 11.23 11.22 11.18 10.93 Aug Sep Oct Dec Feb Jun 70.22 69.65 69.60 71.62 71.90 72.00 71.80 SILVER 5,000 troy oz; centa/troy oz. Previous High/Low 620.2 \$23.0 \$27.5 \$32.1 544.2 547.6 \$55.7 \$63.8 572.1 \$80.4 COTTON 50,000; cents/lbs Jul Oot Dec Mer Oct 99,95 98,80 98,41 99,40 97,50 64.95 66.30 66,41 67,40 85.60 49.20 47.82 45.70 42.02 44.87 45.82 47.40 553.0 562.0 589.0 580.0 Jun Jun Aug Oct Dec Feb Jun Class Previous High/Low EUTERS (Base: September 18 1931 = 100) 173.30 163.55 163.70 150.25 148.45 148.90 148.90 148.90 175.80 165.05 164.25 151.60 150.25 0 177.16 166.35 155.00 162.16 160.95 150.76 150.75 June 9 Jun 5 mnth ago yr ago Jul Sep Nov Jen Mar May Jul Sep 1985.6 1991.0 2011.4 1930.1 33.42 47.95 47.20 49.00 47.00 OW JONES (Base: Dec. 31 1974 = 100) 130.95 132.06 138.36 131.10 132.02 136.80 138.52 141.62

LONDON STOCK EXCHANGE

Equities steady in sluggish turnover

A HOST of potentially unsettling factors failed yesterday to upset a UK equity market still taking heart from the evident unwillingness of big institutions to part with stock Turnover was meagre, but market indices were sustained by gains in a handful of blue chips, where British Petroleum and British Telecom stood out well. Sentiment was also helped by speculation sur-rounding bid prospects among food shares.

)rds

The broader market had an erratic session. It opened firmly after a strong US currency boosted the dollar-earning stocks. However, early gains were trimmed when

Account	De	ومكب	Dates
"First Declings: Jun 5	Jon	19	Jul 5
Option Declaration Jun 18	ين جول	29	Jul 13
Last Dositage: Jun 16	Jun	30	Jul 14
Account Days Jun 25	44	10	· Jul 24

three month money rates in London moved above 14 per per cent in May retail sales in the UK was reported. Share prices then crumbled away, and the initial gain of 7.8 per cent on the Footsie was replaced with a mid-session loss of more than ten points.

Then a rally set in.
The final hour of trading saw the London market continuing to rally despite a sharp dip in the pound against the DM, and a weak opening on Wall Street. By the close, the loss on the FT-SE Index had been cut to 3.8 for a final readmg of 2,138.8. Seaq volume was distinctly

unexciting at 381.1m shares, igainst 529m on Friday. A trading programme worth around £74m was operated just before midday by a US securities house, with the bias appearing slightly towards the buy side. Some surprise was expressed at yesterday's resilience by equities ahead of a week with a potential hazards. In addition to the unfavourable trends in sterling and UK money rates, market strategists were concerned by the renewed hints of disagreements on economic policy within the Government and by its prospects in Thursday's European Parliament

UK inflation trends remain the chief worry, and London markets are braced for Friday's disclosure of the latest UK inflation number, analysts are resigned to a rise of 8.3 to 8.5 per cent in the annualised inflation rate in May.

The adverse effects of yesterday's news of a large rise in

domestic retail sales was tempered by a UK Treasury statement that the data was in line with its projections of a slowdown in consumer spending this year, while the 4.9 per cent annual gain in UK output prices was comfortably

A significantly helpful factor was a slight lifting of the clouds hanging over the US trade figures for April, due on Thursday. London sources have been predicting a narrow-ing in the US monthly deficit to around \$9.5bn but there were reports yesterday that some analysts in Japan are predicting a much lower fig-

boosting overall turnover to

4.5m shares; at the close Fer-

ranti were 3 down at 95n, after

British Steel slipped 2 to 86p

as 18m shares changed hands ahead of final results on Thurs-

day. It was also the most active

stock on the traded options market with 6472 contracts agreed - only 10 of them puts. A story that the British Army was about to order £1bn

of aircraft from McDon-nell-Douglas of the US, and that part of it would be built

by Westland, helped the lat-

ter's shares add 5 at 134p, and

the Warrant jump 4 to 56p. Normally sedate specialist

chemical company, Cookson, sprang 10 ahead, helped by a

stock shortage, as UK analysts

began a tour of the company's operations in the northeastern

English China Clays, which

climbed 8 to 465p, after 469p.

The stock had fallen 78 in 5 weeks, after disappointing

interim figures, and the com-pany launched a programme of

presentations to investors and

analysts. "ECC is at more than

an 11 per cent discount to the market," said Mr Tony Pennie,

analyst at James Capel, "The prospective yield is about 5% per cent and the assets could be about double the share

The weekend's unofficial

strikes hit AB Ports, down 10

at 579p. The stock firmed last

week on hopes that a court

decision had headed off stop-

235m, a net rise of 3.

FINANCIAL TIMES STOCK INDICES High 84.43 (5/6) 84.59 89.29 127,4 (9/1/35) 49.18 84,80 84.96 1775.7 1773.0 1758.2 Ordinary 1770.4 734.7 43,5 (15/2/83) (26/10/71) 154 7 (17/2) S.E. ACTIVITY

Ord. Di. Yield Earning Yid %(full) P/E Ratio(Net)(ŵ) 11.03 10.98 24,670 P/E Ratio(Net)(\(\phi\))
SEAO Bargains(5pm)
Equity Turnover(£m)†
Equity Bargains†
Shares Traded (mi)† 28.312 1890.63 28,935 Ordinary Share Index, Hourly changes

Opening 0 10 am. 0 11 am. 0 12 pm. 0 1 pm. 0 2 pm. 0 3 pm. 0 4 pm. 1769.4 1772.3 1765.0 1768.6 1769.4 1769.1 1767.5 DAY'S HIGH 1779.3 DAY'S LOW 1783.4 Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ANII 10.89 (Excluding Intra-marks

Jun 8 Gift Edged Bargains 97.3 100.6 Equity Bargains 3821 5 5 - Day average Equity Bargains 191.0 194.1

Dividend factor boosts BP

In a generally unhappy equity sector British Petroleum (BP) was outstanding and in strong support closed a net 4 higher at 295%p; turnover at 10m shares was at its highest level for

many weeks.

The firm showing came as something of a surprise to many traders, in view of yesterday's slide in crude oil prices and the overall uncer-tainties in the equity market. An announcement that Union Carbide of the US intends to purchase BP Chemical's silicone surfactant businesses was put forward as one reason for the buying of BP

stock but the deal was generally regarded as relatively There was evidence of good overseas buying interest in the shares, a view supported by a number of energy sector analysts. Mr Simon Elliston, oil analyst at Citicorp Scrimgeour Vickers, pointed out that the recent performance of sterling against the dollar was the key to the BP share price."If sterling falls to \$1.48 against the dollar then BP would have to se their dividend to 15p, against the previous figure of 13.5p, to maintain its value to

"Given that BP only recently decided to pay quarterly dividends to try to expand its US shareholder base, it seems unlikely they would let the dollar dividend decline," he

Unigate surprise Although Unigate topped most City forecasts with a 6 per cent rise in full-year profits to £100.5m, shares in the dairy group eased back with the market to close 3 lighter at Ssip as a number of specula-tive investors took profits. Some arbitrageurs had been hoping that a poor set of fig-ures would have flushed out a full offer for Unigate, possibly from Mr Larry Goodman, the Irish entrepreneur, holder of an 8.8 per cent, said dealers. In the words of one analyst, the unexpectedly good results "will liave disappointed the vultures." This feeling was later reinforced by the realisation that Mr Goodman had not

recently by another Irish stake-holder, Avonmore Creameries. On fundamentals the market was pleased with the perfor-mance of most of Unigate's varied divisions. "We knew that the poultry business was having a tough time," said Mr

Engineering

sub-groups

Mr Allan Holder has been appointed managing director of the new paper engineering sub-group of SIMON ENGINEERING, formed

following the acquisition of the Holder Pamac companies of which he was a founder.

Pamac as managing director.

Dr John Wild joins Holder

He was with the Jefferson

Horner has been appointed finance director of the

equipment sub-group. He was

finance director and company

Smurfit Group. Mr Brian

secretary of Rockwell

Components (UK). The sub group comprises companies making specialised

plant, including container

equipment, power train

components, sewage and

and filtration systems.

machinery, solids handling

effluent treatment machinery.

Simon

bought the near 3 per cent holding said to have been sold

Richard Allen of Kleinwort Benson, but this was more than compensated for by useful progress in other areas such as the US operations and the UK fresh foods business." Along with other brokers,

Kleinwort has raised its forecast for this year's profits, by E3m to £112m. This compares with BZW's new figure of £113m and Kitcat & Aitken's £112m. Hoare Govett is stick ing with its estimate of

Gateway top bid

Speculation that a leading broker was bidding 215p cash for Gateway stock helped shares in the food retailer climb 5 to 215%p as the market pondered recent reports that a third party was preparing to launch its own bid to top the current offer of 210p a share from Isosceles. It has been widely suggested that Tengle-mann, a West German retail group, is considering making its own offer for Gateway via its US subsidiary A&P.

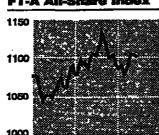
Yesterday's buyer was said to have been UBS Phillips & Drew, whose US arm UBS Securities acquired 12m Gateway shares last week for an American client, but UBS in London would not say whether it had been picking up further

"The fact that someone has been willing to pay above the 210p offered by Isosceles suggests that there are people who believe a white knight will appear," said one follower of the stock. But with the deadline on the 210p offer of June 22 looming, this analyst believed it was still "odds on" that Isosceles, which is already thought to control 23 per cent of Gateway, will succeed.

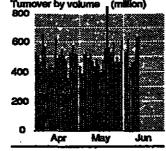
Dollar strength underpinned the prices of ICI (up 8 at 1258p) and Glaxo (up 7, 1852). Mr. James Culverwell, analyst at Hoare Govett, explained that "Glaxo locks into exchange rates on June 80 for the purposes of calculating results -last year it worked on a \$1.70 exchange rate. So Glaxo profits should comfortably pass the £1bm for the current year, if the rate is around \$1.58 this

BP apart, activity in the

FT-A All-Share Index



Equity Shares Traded



fined to British Gas where turnover was given a big boost by a single deal of 2.7m shares during the programme trade; Gas shares closed unaltered on

halance at 184½p. Merchant banks were hit by persistent selling from one of the top UK securities houses. SG Warburg lost 9 to 313p ahead of preliminary figures expected today; UBS Phillips & Drew is going for pre-tax profits of £90m, 19 per cent down on last year's £111.9m. P&D says the figures "should reveal deterioration in securities profits with the activity in the first quarter of 1989 only partially offsetting losses incurred in the last quarter of 1988.

The electronics sector maintained its recent record of high levels of activity. British Tele-com extended last week's good gains with the momentum said to have been generated yesterday by further switching from Cable & Wireless and the Racal twins. There was also a story in the market that the company could well have considered selling off some of its stake in Cellnet, the cellular radio company where it has a 60 per-cent stake. The other 40 per cent is held by the Securi-

NEW HIGHS AND LOWS FOR 1989

MEW NAMES (165)
AMERICAMS (165) CAMADIANS (16) BANKS
(27) Rothschild (J.), Soc. Pactic, INFERIORS
(17) Manufold Servi., CHMERCALS (4) Alida,
Alidad Colloids, Engishard, Movo Inda. 'B',
STOMES (1) Ward Malis P., ELECTRICALS
(17) ENGINEERINAS (4) A. Cohen, Cambord
(19) Ass. Brit. Foods, Benacos Criego, Booker,
(19) Ass. Brit. Foods, Benacos Criego, Booker,
(19) Ass. Brit. Foods, Benacos Criego, Booker,
(10) Ass. Brit. Foods, Benacos Criego, Booker,
(10) Ass. Brit. Foods, Benacos Criego, Cooker,
(13) Alia, Ars. Bus. Systems, Ass. Brit.
(13) Alia, Ars. Bus. Systems, Ass. Brit.
(13) Alia, Ars. Bus. Systems, Ass. Brit.
(14) Dover, French (Thos.), Paccer
Systems, Ropoter 'A. Sozithidian Sectimen,
Uniterer NV. Waterman Partnership,
MESURANCE (11) LEEGURE (2) Serr à WAT
'A', Oriant Express Hotals, Quadrant,
MOTORS (1) Dover, MESURAPERS (3)
Santhour Index, Bisck (ASC), Thomson,
PAPERS (6) PROPERTY (6) SERPINE (1)
Sea Cootstiners, TRUSTS (16) OLS (7) MESIS
(3) East Daggs, Joburg, Minorco.

cor group of companies.
"I wouldn't put it past BT to come up with something like that," said one electronics specialist who added "BT could com-type rating." BT shares closed around the day's best. settling a net 6 higher at 283¼p. Turnover was 12m, well up on the recent high level of

activity in the stock.

Racal Electronics ran into a bout of profit-taking ahead of today's preliminary results for which the market's range of forecasts goes from £175m to around £185m. Hoare Govett are forecasting £178m, Klein-wort Benson £179m and UBS Phillips and Drew £180m. Mr John Tysoe, electronics analyst at Shearson Lehman and a long-time advocate of the Racal companies, goes for £175m and expects the group to announce the fully-sponsored ADR facilthe runy-sponsored ADR lati-tity long expected by the mar-ket. Racal Telecom, also reporting today, are expected to reveal profits in the region of £78m to £80m.

were slightly firmer at 475p, on turnover of 2.5m, helped by the more reassuring performance by the Hongkong stock market, but dealers repeated their warning that the shares could well be in for a rough ride; C&W is scheduled to announce full-year figures tomorrow with Mr Richard Ryder, telecommunications analyst at Salomon Brothers forecasting pre-tax profits of £408m against last time's

News of the larger than ed rise in May retail sales failed to boost flagging Stores. "Retail figures arealways a double-edged sword; in this case the 2.5 per cent rise was good news for the sector but overall bad news for the market," said one sanguine marketmaker. Ward White held steady at 312p on press reports that US abitrageur Mr Asher Edelman has bought a near 3 per cent stake.

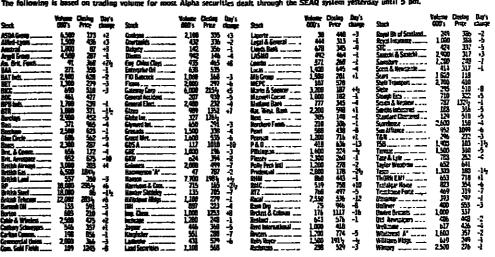
Storehouse, where Mr Edelman has said he will use his 8 per cent holding to make a forto 158p on the feeling that the American arbitrageur may be unable to put together a full bid; "a lot of people think its a spoof," said one trader. Second liner Wilding Office Equip-ment slumped 20 to 180p after broking house County NatWest WoodMac lowered its profits

woodmac loweren its profits forecast for this year to 23.8m. Brewery group Allied Lyons bucked the trend with a rise of 3 to 4360; "there was one large buyer of 200,000 shares, it's a good defensive stock, there have been recent switches into Allied from Bass, and the Japanese like them," explained one trader trader.
Alida soared 80 to 355p, after

365p in the wake of the recom-mended £44m bld from Scott &

to the group in Spain, will become chairman of the new company. Mr Pedro A.

Ferranti featured promi-TRADING VOLUME IN MAJOR STOCKS nently in the programme trade triggered around midday with a mark of 2.5m shares going through the Seaq ticker and



USM-quoted Marina Development put on 13 at 460p after announcing a 250 per cent jump in full-year profits. Asda held up well in a weak Foods sector, the supermarket

group's adding 2 at 173p on turnover of 6.5m shares. The market is still hoping for some corporate activity soon, per-haps a bid from Canadian shareholders the Belzberg family, Sentiment was further boosted by hopes that a third party will trump the Isosceles bid for Gateway, a move that would scupper the much critic-ised plan whereby Asda buys 62 Gateway superstores from Isosceles should it takeover

Saatchi and Saatchi firmed 3 to 317p ahead of interims out

orrow. Trade was busy in both directions as 2.9m shares changed hands. One dealer said that a press report on the possible sale of its management consultancy division had generated buying interest.

A 34 per cent rise in full year profits from EMAP failed to flush out buyers and the price eased 2 to 242p. "They are on a 30 per cent premium to Reed and are a little expensive," explained Ms Bronwen Maddox, media analyst at Kleinwort Benson. EMAP is likely to suffer from a downturn in advertising revenue, especially on the property side in regional newspapers, she said. Increasing competition for acquisitions and expansion is increasing costs, she added. Ms Maddox edged up her forecast

for the current year from £35%m to £36m-£37m.

The lone feature among quietly resilient property stocks was the performance of Imry 483p, "There has been a lot of talk recently about a bid, and there have been suggestions that the company might be receptive to the right offer, said a dealer.

Dealings in British Steel, Racal Electronic, BP and the FT-SE 100 Index sparked traded options into a fair amount of life.

Other market statistics, including FT-Actuaries Traded Options, Page 31

NEW LOWS (19).
BESTERN FURGOS (48) INT. BARRY & G*SEAS GOVT. STLA. ISSUES (8) FOREIGE BORGES (9) BARGES (1) LONGON FORTILLES (1) BARGES (2) COWEN ENGINEERS (1) BARGES (2) COWEN ENGINEERS (1) BARGES (2) COWEN ENGINEERS (1) LONGON FORTILLES (1) BARGES (2) COWEN ENGINEERS (1) LONGON FORTILLES (1) BEET, TRIBED BARGES (2) COWEN ENGINEERS (2) LONGON FORTILLES (1) BEET, TRIBED BARGES (2) COWEN ENGINEERS (2) LONGON FORTILLES (1) BEET, TRIBED BARGES (2) COWEN ENGINEERS (2) LONGON FORTILLES (1) BEET, TRIBED BARGES (2) COWEN ENGINEERS (2) LONGON FORTILLES (1) BARGES (2) COWEN ENGINEERS (2) LONGON FORTILLES (2) BARGES (2) COWEN ENGINEERS (2) LONGON FORTILLES (3) BARGES (2) COWEN ENGINEERS (2) LONGON FORTILLES (3) BARGES (4) LONGON FORTILLES (4) BARGES (

FINANCIAL TIMES INTERNATIONAL CONFERENCES

SUMMER/AUTUMN 1989 CALENDAR

World Gold

26 & 27 June -- Lugano

International Publishing in the 90s

26 & 27 June - London

Financial Times/ Price Waterhouse Capital Markets Workshops

26, 27 & 28 June; 16, 17 & 18 October; 15, 16 & 17 November and 4, 5 & 6 December – London

The Outlook for **European Petrochemicals** 3 & 4 July – London

Telecommunications and the European **Business Market** 10 & 11 July - London

World Motor 13 & 14 September – Frankfurt **Retail Financial Services** 2 & 3 October - London

Europe and the Nordic Countries 9 & 10 October - Stockholm

FT-City Course 9 October - 27 November - London

World Mobile Communications in the 90s

11 & 12 October - London

Re-Regulating Europe's Financial Sector 16 & 17 October - London

Business with Spain 6 & 7 November – Madrid

World Shipping in the 90s 14 & 15 November – Amsterdam

World Electricity

16 & 17 November - London

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☐ Werld Gold Distributional Publishing in the 90s Financial Times/ Price Waterhouse Capital Markets Workshops ☐ World Mobile

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☐ The Outlook for

☐ World Motor Retail Financial

in the 90s Re-Regulating Europe's Financial Sector

World Shipping in ☐ World Electricity

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■ Mr Peter G. Bedwin has been appointed director, business development for the UK, with ITT DEFENSE. He joins from Plessey Electronic Systems, where he was business development executive. IIT Defense is based at Arlington, Virginia, US.

■ CITICORP has appointed Mr Paul Cohen as UK country business manager. This centres



APPOINTMENTS

RHM grocery division has appointed Mr Jeremey Preston (centre) as managing director of the breakfast cereal business, a new post. He will be responsible for The Shredded Wheat Company, Viota and A.C. Fincken, Mr Preston moves from RHM foods, where he was commercial director, Bisto Group. He will be succeeded by Ms Judy Atchison (left) who moves from the soft drinks group, where she will be succeeded as commercial director by Ms Riaine Underwood (right) who is promoted from business development controller.

around the three core businesses of Citthauk Savings which includes Citibank Mortgage, Diners Cinb and Citicorp British National. Succeeding Mr Robert Selander, Mr Cohen was managing director of Citibank Savings where he is succeeded by Mr Jack Davles who was marketing and strategic planning director of the consumer services division for Europe, the Middle East and Africa.

m Mr Ian Currie has been appointed a director of CHARLTON SEAL SCHAVERIEN, stockbrokers. Based in Manchester, he will

be director-in-charge of the corporate finance department.

Mr Gareth Davies, chairman and group chief executive, Glynwed International; Mr Francis Graves, chairman, Francis C. Graves and Partners; Dr Janet Morgan, writer on constitutional affairs; and Mr John Neill, group chief executive, Unipart Group, have been appointed non-executive directors designate of the proposed privatised MIDLANDS ELECTRICITY.

S.G. WARBURG GROUP is to establish a subsidiary in Spain - S.G. Warburg España. Mr Alejandro Albert, adviser

Gómez-Baeza, who has been appointed a director of S.G. Warburg & Co., will become vice chairman and managing director of the new company. He was an executive director of Credit Suisse First Boston and a partner of CS First Boston in New York. ■ SEDGWICK FINANCIAL division has appointed Mr Stephen Jacobson as an associate director and a senior

actuary in London. ■ NSM has appointed Mr Ben Broadhead as joint managing director of its UK mining subsidiary, Coal Contractors, from October. He is an area director of Tarmac Roadstone

Mr Roy Doughty has been appointed group marketing director of the PRESTIGE GROUP. He joins from Duracell UK where he was general manager.

Mr Ronald M. Griffin, group controller of financial plan at Rolls-Royce, has been elected president of the CHARTERED INSTITUTE OF MANAGEMENT ACCOUNTANTS.

Mr Tim Lloyd-Williams has become executive chairman of GRE PERSONAL FINANCIAL MANAGEMENT, GRE's direct sales arm. He will continue as GRE's life general

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Loss of confidence hits sterling

The break below DM3.10 to a

close of DM3.0900, took the

currency markets yesterday, breaking through support at DM3.10 against the D-Mark. Investors continued to show their lack of confidence in the pound in the face of a very strong dollar and concern about the apparent rift between Mrs Margaret Thatcher, the Prime Minister and Mr Nigel Lawson, Chancellor of the Exchequer, on eco-

nomic policy.

The pound opened on a weak note against the dollar but managed to hold steady against the D-Mark. However, a sharp rise in May UK retail sales of 2.5 per cent compared with market expectations of a 0.7 per cent rise was seen as a further blow to the Government's attempt to control con-

sumer spending
The rise may have been exaggerated by the very warm weather experienced in May, but investors were in no mood to give sterling the benefit of the doubt, and its exchange rate index fell sharply at the close to 91,2, down from 91.8 at the start and 92.0 on Friday. A 0.3 per cent rise in May producer output prices - giving a year-on-year rise of 4.9 per cent - was a little better than expected, but failed to provide

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5. Spot 15315-15325 15470-15550 1. morth 0.54-0.53pm 0.55-0.54pm 0.55-0.54pm 12 morths 7.00-6.70pm 6.78-6.72pm						
	Forward premiums and discounts apply to the US dollar STERLING INDEX					
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2.00 pm		91.6	80
3.00 pm		91.5	80
4.00 pm		91.2	80
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Danish Krone Deutsche Mark .	1 7 12.39 5.75 7.75 4.50 5.50 5.50 5.50 2.12 2.12 4.53 2.12 4.53 2.12 4.53	126116 123854 148488 17.3309 51.6007 9.56758 9.56758 8.3557 8/A 177.792 8.90758 159.561 8.20758 159.561 211.588 211.588	1.49624 1.02323 1.22962 1.46118 43,49690 2.07665 2.33891 7.93473 1.498.73 1

1 Sterilon quoted in terms of SDR and SCU per £. * All SDR rates are for June 9

CURRENCY	MOVE	MENTS
Jane 12	Back of England Index	Morgan** Gustranty Changes %
Sterling U.S. Dollar U.S. Dollar Cacadian Deliar Ametrian Schiffling Belgium Franc Bunds Krone Dendsche Marin Serlis Franc Golider Franc Lira	91.2 73.9 106.2 106.2 105.2 101.5 106.6 109.8 98.6 136.3	-18.0 -5.1 +0.2 +0.9 -4.6 +21.6 +15.3 +15.5 -18.9 +67.7
Morgan Guaranty 1982 - 100. Bank of 1985 - 1008**Rates are	changes: a England luder forJune.9 .	erage 1980- (Base Astrogr

VINEN CONNENCIES						
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		•				

MONEY MARKETS

don yesterday. The denial by Mr Nigel Lawson, the Chancel-lor, of a rift between himself

and Mrs Margaret Thatcher, the Prime Minister, over eco-nomic policy, did little to restore confidence.

14 per cent Imm May 24

to 14 14 per cent from

14%-14 per cent, on fears of another rise in bank base

rates. Dealers suggested that

news later this week on UK

average earnings and retail

prices could provide the trigger

Day-to-day credit conditions remained very comfortable in London. The Bank of England initially forecast a surplus of around £200m, but revised this

Pressure increases

PRESSURE INCREASED on to a flat position at noon. The wholesale interest rates in Lon-authorities did not operate in

authorities did not operate in the market.

higher by the firm dollar.

The Bundesbank council

meets on Thursday, Dealers do

not believe a move on rates is likely this week, but do not

rule out a tightening of credit policy in the near future. Liquidity is expected to

remain tight this week, as

June tax payments drain funds from the market.

pound to its worst level since July last year, the close on Fri-day was DM3.1125. It was unchanged against the yen at Y227.00 but slipped elsewhere to FFr10.4650 from FFr10.5500 and SFr2.6775 compared with SFr2.7050. The dollar continued the firmer trend started on Friday after a sharp rise in US May

producer prices dispelled any notion of a further easing in US monetary policy for the time being. It broke through resistance at DM2.0240 which prompted further heavy buying as stop-loss orders were triggered. The US unit touched a high of DM2.0370 before finally running out of steam. Some running out of steam. Some investors were content to take profits at the higher levels, and the loss of momentum was

exploited by the US Federal Reserve and the Bank of Can-ada which both sold dollars in the afternoon.

Sterling fell to its lowest level since February 1987 against the dollar, closing at \$1.5255 from \$1.5550 on Friday. Consequently, the dollar came back to finish at DM2.0250, although this was still well from DM2.0015 on Friday and represented its best closing level since November 1986. Against the yen, it rose to Y148.80 from Y146.05 and fin-ished elsewhere at SFr1.7550 from SFr1.7400 and FFr6.8600 compared with FFr6.7850. On Bank of England figures, the dollar's exchange rate index rose from 73.1 to 73.9.

The D-Mark lost ground against the French franc and closed at FFr3.3877 from FFr3.3900 on Friday. However, it continued to improve against the Japanese yen, breaking through Y73.00 to finish at Y73.48, up from Y72.94. The yen continues to suffer from investor fears about the continuing political scandal in

EMS EUROPEAN CURRENCY UNIT RATES						
	Eco central rates	Carrency amounts against, Eco. June 12	% change from central rate	% change adjusted for divergence	Divergence (Sesti. %	
Belgion Franc Daulch Knote German D-Mark French Franc Daulch Gallder Irish Post Italian Lira	42,4582 7,85212 2,05853 6,90403 2,31943 0,768411 1483.58	43,4900 8,07690 2,07665 7,03473 2,33891 0,776707 1498,73	42 65 +1.88 +1.89 +1.89 +1.06 +1.06 +1.02	1100 1100 1100 1100 1100 1100 1100 110	±15344 ±15404 ±1.0981 ±13674 ±15012 ±16684 ±4.0752	
Changes are for Ecs, therefore positive change denotes a while correspy Adjustment calculated by Financial Vienes.						
POUND 9	POT- FC	RWARD		T THE P	OUND	

POUND SPOT- FORWARD AGAINST THE POUND						
Just-12	Day's spréad	Close	One month	% 92	Three months	% 91
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DOLLAR SPOT- FORWARD AGAINST THE DOLLAR						
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DOLLAR SPOT- FORWARD AGAINST THE DOLLAR											
June 12	Day's spread	Clase	One mouth	% pa.	Three mostis	% p.a.					
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Long terra Eurodol years 8%-8% per cent i	ominal. Short	term rates are	call for US Dol	ters and Japane	e Yest others, t	and costs, morrison
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F Ft.	0.955	1.457	2951	216.8	10.	2558	3.322	2132	1.756	61.84
S Ft.	0.373	0.570	1154	84.76	3.910	1	1.299	2132	0.687	24.28
N FL	0.288	0.439	0.888	65.27	3.010	0.770	1	641.7	0.529	18.62
Lika	0.448	0.684	1.384	101.7	4.691	1.200	1558	1000.	0.824	29.01
C\$	0.544	0.830	1.680	123.4	5,693	1.4%	1.891	1214	1 2.840	35.21
8 Fr.	1.544	2.357	4.772	350.6	16,17	4.1%	5.371	3447		100.

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DR Linked Dep Bid		-	813 813 813	84	23	84 84 94
CU Linked Dep Offer CU Linked Dep Bid		-	843	76	35	Á¥.

FINANCIAL FUTURES

Strong sales push prices lower

comfort, as far as the Govern-

ment is concerned, and creating the impression that a further rise in base rates can not be excluded.

As the pound fell to its low-

est level for over two years

against the dollar, sterling

interest rate contracts weak-

NERVOUSNESS ABOUT the stronger than expected, sug-UK economic situation and the gesting that consumer confi-vulnerability of sterling to bad dence remains too high for news encouraged traders to be short of sterling based interest rate contracts ahead of yesterday's figures on May UK retail sales. Financial markets are making a close examination of the economy at present, amid rumours of disagreements within the Government on pol-

icy.

The sales data were much

LUFFZ 5/5 OPTRIKS E25,000 (coals per 51)

LONDON (LIFFE)

Éstimated volume total, Calls () Pats () Prenious day's open ist. Calls 200 Pats 1600

91-14 91-27 92-12 92-28

103.29 103.33 103.20 103.31 102.59 102.78 102.45 102.45

High 90.87 91.46 91.59

nated Volume 2616 (3994) Ions day's open lat. 18765 (1782)

POLITE-S CPORECEN EXCHANGE

Close High Law Pres. 213.60 215.60 213.10 215.00 218.25 220.00 218.15 219.80

1-min 3-min 6-min 12-min 1-5201 1-5135 1-487/1 1-4550

Estimated Volume 543 (1113) Previous day's open int. 966 (935)

ened on Liffe. September delivery short sterling opened nerrous and week at 85.78, with LIFFE IS TREASHEY MAND FUTURES OPTIONS STATES THE PARTY OF THE PARTY

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traders shortening positions ahead of the news on retail sales. The opening level was

sales. The opening level was slightly above technical support at 85.75, but with the economy apparently still very strong, at least at high street level, this was not a support point that was likely to hold.

The September short sterling contract fell sharply to a low of \$5.50 after publication of the

85.59, after publication of the retail sales figures, before ral-

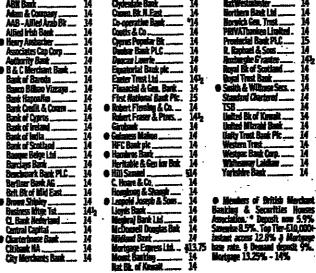
lying a little to close at 85.62 compared with 85.92 on Friday.

LEFFE BOICE FUTURES OFTEN

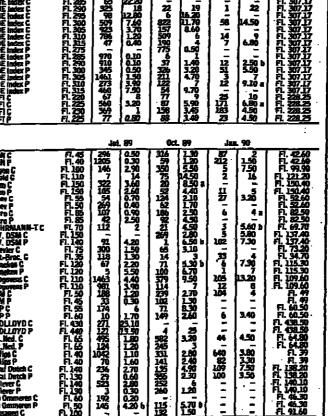
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BASE LENDING RATES Clydesdale Baok Comm. Bk. N. East ...



EUROPEAN OPTIONS EXCHANGE | Aug. 89 | Nov. 89 | Feb. 90 |
Vol	Last	Vol	Last	Vol	Last
44	3.50	105	10.50	-	
113	7.70	10	9.40	-	
150	12	-			
92	22 a	10	23 a	30	23



TOTAL VOLUME IN CONTRACTS: 53,459

R B=Bid C=Call P=Pai

COMPANY NOTICES

RAND MINES GROUP

Blyvooruitzicht Gold Mining Company Limited (Incorporated in the Republic of South Africa) Company Registration Number 05/09743/06

Passing of Dividend No. 87

The Board of Directors has decided not to declare a final dividend for the year ending 30th June 1989.

15th Floor The Corner House 83 Fox Street Johannesburg 2001 (PO Box 62370,

12 June 1999

raturies in the United Kingdom Vischer Corporate Services Latitled 40 Holloom Visduct London ECIP IAI

IN THE HIGH COURT OF JUSTICE

CHANCERY DIVISION IN THE MATTER of PEARSON pk

IN THE MATTER of THE COMPANIES ACT 1965

NOTICE IS HERESY GA/EN that a Petition was on the 18th day of May 1889 presented to her Majesty's High Court of Justice for the confirmation of the canonilation of the Share AND NOTICE IS FURTHER GIVEN that the

d Pedition is directed to be heard before thorougable Mr Justice Peter Gibean at Royal Courts of Justice, Strands, London 28A 2LL on Monday the 28th day of June

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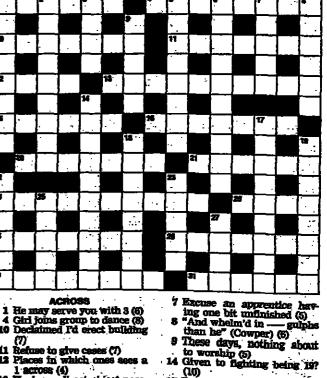
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ACROSS

1 He may serve you with 3 (6)
4 Girl joins group to dance (8)
10 Declaimed Pd erect building

(7)
11 Refuse to give cases (7)
12 Places in which ones sees a 1 across (4)
13 Having a direct object passing over (10)
15 Way to a meeting place (6)
16 Defame one living in Sark?
Not II (7)
20 A trot led back to castle in Sussex (7)
21 Old carriage provided by American composer (6)

American composer (6)
24 Royal member goes to shopping centre in Devon (10)
25 Ella followed by Pat (4) Woman doctor you are heard to charm (7)

Emporiums accept I make up yarns (7) 30 Consider rest annoyed judge

31 Doesn't alter in Belgium (6) DOWN

DOWN

I I am able to follow witty remark at watchtower (8)

He is always telling 29 (9)

Drink in a still moon (4)

Possibly the earliest lyre and played with passion! (8)

One who provides lots of interest (10)

23 red showing ages of minute age? (6)
23 Reavy blow in class was harmful (5)
25 One to assess 19 (5)
27 Worries boxers? (4)
Solution to Browle Ma C 057 Solution to Puzzle No.6,957 CATAON OBJECT
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VERONESE DRAIN
VERONESE DRAIN
OMCE UNITER N
ADVANCE ASTARTE
POTTER ADMENT

(10) 17 Poor Len cetting sweet-brief!

(9) 18 Not a tear living like this!

(44)
19 Furious with change of scene in state (8)
22 Ted showing signs of middle

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £544m. This factor was offset by Exchequer transactions adding £255m to liquidity, a fall in the note circulation of £550m and barries and the same a The market concentrated on the weakness of sterling and the continued failure of high culation of £520m and bank balances above target of £85m. In New York the US Federal UK interest rates to stem demand for consumer goods, Reserve drained money from the banking system through UK clearing bank base lending rate three day matched sale and repurchase agreements, when Federal funds were trading at 9% per cent. This was in line with market expectations. many of which are imported and will not help reduce the size of the UK trade deficit. In Frankfurt call money rose to trade around the Bundes-bank's 6.50 per cent Lombard emergency funding rate. The strength of the dollar, as specu-According to figures released yesterday, retail sales in May were around four times higher lation about lower US interest rates has faded after last Fri-day's higher than forecast US than expected and despite soothing words from the Trea-sury, that the Government has not altered its view that retail May producer prices, led to increased borrowing on the money market. West German banks were prepared to pay above the Lombard rate in sales growth has slowed, the financial markets remained very nervous.

As the pound fell, three-month sterling interbank rose places on fears that domestic interest rates could be forced

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WORLD STOCK MARKETS

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Haral Zuen 200 24 Hitself Miles 2,200 1 Sample 250 20 Bright 2,00 2,00 20 Bright 2,0	today's business and financial executives rely on the Financial Times. The FT has breadth and depth of vision, an eye for events that are often in shadow and pinpoint accuracy in its coverage and analysis. Each day the FT gives you a new.
No.	crystal-clear snapshot of a global economy that's in constant motion.

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3pm prices June 12

Main indices hit by profit-taking

Wall Street

THE KEY stock market indices all fell in early trading as prof-it-taking emerged in reaction to last week's strong takeoverrelated gains, writes Janet Bush in New York.

At 2pm, the Dow Jones Industrial Average was quoted 11.74 lower at 2,501.68 on relatively active volume of 96m

Among other indices, the broader Standard & Poor's 500 index was quoted 1.83 points lower to stand at 324.86 at midsession. The American Stock Exchange Index, which hit an all-time high last week, dropped 1.04 points to 365.12 and the Nasdaq Composite Index, which last week came within a whisker of its all-time high, dipped 1.12 points to

The profit-taking came in spite of further gains at the long end of the bond market and a steady dollar. Although bonds and the dollar experienced some profit-taking after very strong overnight levels in the Far East, both markets

The yield on the Treasury's benchmark long bond fell to 8.1 per cent and the dollar was quoted firm at Y148.75 and

On the positive side of the argument for stocks is the fact that the raily in first tier issues has been accompanied, and indeed outstripped, by price gains in secondary issues. This lends a strong technical tone to large capitalisation issues traded on the New York Stock

However, there are some reasons to be cantions. Firstly, it has clearly been the Treasury bond market which has benefited from a strong dollar, investment. The stock market has not seen the substantial foreign investment inflows which bonds have enjoyed over the past week.

Secondly, the market had already built into prices expectations that the Fed would ease. The drop last week of about % point in the Fed Funds rate was not enough to give the market an additional boost and few traders and investors expect another eas-

Last Friday, the stock mar-ket was unable to shrug off as easily as the bond market news of a 0.9 per cent rise in the May ducer Prices Index.

A third reason for caution in the market is that evidence of a broadly decelerating econ-

omy coupled with a strong dollar must at some stage start to lower expectations for corporate profits.

Economic data due this week should, on balance, be positive for markets. Today, retail sales are expected to have risen by 0.1 per cent in May compared with the gain of 0.4 per cent. On Thursday, the monthly merchandise trade deficit is expected to have nar-rowed to about \$8bn in April compared with March's \$8.9bn

Consumer prices on Friday are expected to have risen by 0.5 per cent in May compared with April's gain of 0.7 per cent. After Friday's PFI report, this has probably already been

Among featured stocks yesterday was Control Data which added \$% to \$21% after the company said it was selling Imprimis Technology to Seagate Technology for about \$450m in cash and secu-rities. Seagate added \$% to \$14% in over-the-counter trad-

Tenneco added \$% to \$55% after the company said that its automotive subsidiary planned to sell its retail division as part of a restructuring. Money centre banks were

generally weak after US regu-

lators told them to write down the value of their medium and long-term loans to Argentina by 20 per cent.

Citicorp dropped \$1% to 2%. Bankers Trust New York fell \$1% to \$48% and Manufac turers Hanover declined by \$%

Time Inc added \$1% to \$171% in continued buying on the prospect of a flerce take-over battle by Paramount, seeking control of the company in spite of an earlier agreement for Time to merge with Warner Communications. Paramount fell \$1% to \$57% and Warner declined \$1% to \$54%.

Canada

VOLUME of trade was moderate in the absence of any market news, with stocks steady at

consolidating its position after the strong rise last week and the correction that followed on

The composite index fell 0.9 to 3,801.5 with declines leading advances 261 to 179 on a volume of 11.79m shares.

BCE Inc was up C\$% at C\$40 and Canadian Pacific rose C\$% to C\$23% but Nova lost C\$% to C\$10% and Alcan Aluminium was down C\$% at C\$27.

Europe beats the China syndrome

the slump in the Hong Kong stock market, equities in much of the rest of the world had a reasonable run last week

While the Asian region was volatile, Europe was enjoying a wave of optimism about the old bugbear of interest rates and the US and UK were focusing on the Federal Reserve's easier monetary policy and a spate of takeover stories.

Hong Kong, the week's largest mover, lost 16.1 per cent altogether. The fall came all in

By Alison Maitland

one day, when the market plunged 22 per cent last Monday in response to the bloody troop crackdown on civilians in Peking the previous week-

On each of the subsequent three trading days - the mar-ket was closed for a holiday on Thursday - bargain hunters Thursday — bargain numers pushed shares up again. Yet at the close last Friday — before yesterday's 7.5 per cent recovery — Hong Kong had lost 33 per cent in four weeks and was 16 per cent below its level at

the start of the year.

The tension in the region sent some other markets down sharply, with Singapore and Malaysia tumbling more than 5 per cent each in spite of a rebound at the end of the week. But Australia and New Zealand were kept bubbling by takeover news, and the latter

MARKETS IN PERSPECTIVE % change in local currency † 1 Week 4 Weeks 1 Year Start of Start of +2.14 +59.28 +40.84+45.12+0.25 +18.87 +6.03 +9.43 +21.34 +2.80 Denmark -1.25 +11.81 +15.79 +4.98 +38.79 +15.22 Finland +0.07 + 19.68 West Germany -3.80 +13.21 +4.05 +25.89 +14.53 **4 18.25** Ireland +25.04 + 15.77 Netherlands . -3.40 +54.23 +3.35 +1.43 -2.09 + 1.83 +35.29 7 42.88 Norway + 1.43 + 43.34 +4.41 +20.04 +28.87 Sweden . + 11,81 + 18.75 +12.31 +18.75 +3.87+6.37 +12.78 +14.77 +2.28 +20.97 +15.64 Australia ... Hong Kong .. -16.14 -32.77 -11.69 -16.00 +5.38 + 15.78 +0.01-0.55 +27.62 +41.76 +10.54 +1.45New Zealand -3.18 +5.35 -3.88 +23.65 +22.95 Singapore .. + 13.43 + 17.76 +4.15 +11.53 +31,31 + 1.88 +20.69+36.99 +47.94 +25.95 Mexico . South Airica +5.14 +3.13 +45.55 WORLD INDEX +0.37 +1.15 +18.01 +11.14 +17.44

swiftly recovered from the revelation of heavy losses at Bank of New Zealand to end the week with a 1.5 per cent gain. Meanwhile Japan had a dull week, ending barely changed in woefully thin turnover after

with renewed litters over the weakness of the yen and the outlook for the ruling Liberal Democratic Party.
In spite of this non-contribu-

tion from Japan, the FT-Actuaries World Index managed a

helped notably by gains in the UK, up 1.7 per cent, Canada, 1.9 per cent higher, and the US, which rose 0.4 per cent. The UK market, which had dropped 1.8 per cent the previous week regained some confidence from strong corporate results and bid news before faltering at the end of the week on worries over the rise in US producer price inflation.

US share prices showed little reaction to Friday's figures, but earlier in the week the market had been buoyed by growing hopes for an economic soft landing and by takeover activity in the communications sector. Canada, meanwhile, had the additional benefit of strong gold shares, helped by rise in bullion prices triggered by the violence in China. South Africa also had a strong week, rising 5.1 per cent as gold shares responded eagerly to the pick-up in bul-

In Europe, Switzerland was again the strongest performer, climbing 3.9 per cent as a more stable franc restored confidence and foreign investors continued to show fresh inter

Italy came next with a 3.4 per cent rise, led to new post-crash highs by a rally in blue chips and overseas buying. The week's worst showing in Europe was by Norway, which fell 2 per cent in line with a drop in oil prices following the

Interest rate nervousness returns to haunt trading

THE mood in Europe was more cautious yesterday, as the dol-lar renewed its surge and the returned. Milan and Madrid

made good gains, however, writes Our Markets Staff.
FRANKFURT ran into the ground after its two-week rally, nding steady. The strength of Friday's US producer price fig-ures raised doubts about any further easing of interest rates in the US and turned attention to Thursday's meeting of the Bundesbank council and the question of a possible rise in

The dollar's rise above DM2.03 added to nervousness but analysts did not detect any significant change in the funmentally positive mood. The FAZ index edged down 0.79 to 600.12 and the DAX closed 0.62 easier at 1,436.67 in active trading of DM5.3bn.

Chemicals and car stocks strong dollar. Bayer was the most actively traded stock and rose 70 pfg to DM312.50, while VW rose DM2.50 to DM416.50 in Munich Re was popular among insurance stocks, gain-

ing DM100 to DM2,270 after weekend press reports about its relative cheapness and speculation about a restructuring. PARIS had a quieter day, with volume estimated between FFr1.5bn and FFr2bn. Shares made a feeble attempt

at a rally but fell as Wall Street The OMF 50 index eased 2.38 to 501.17 and the CAC 40 fell 7.26 to 1,751.04. The opening CAC General was off 1.6 at

Matra climbed to a high of FFr363 following France's deal to supply weapons to Saudi Arabia. But the stock later eased back to close FFr3.50 eased pack to close higher at FFr344, and analysts said the news had been largely

discounted already.
Food group BSN lost FFri6
to FFr654 as short-term worries over a possible equity issue to pay for Nabisco's European

CGE was up FFr4 at FFr461 after the COB regulatory authority expressed disquiet at the company's plan to limit voting rights to 8 per cent of

the total capital.

Senate approval of a bill to end the system of autocontrole through which companies hold their own shares to prevent hostile takeovers was wel-comed by some as "excellent news for the market." Midi, which holds a substantial por-tion of its capital in this way, rose FFr18 to FFr1,373 amid

speculation it might be forced to place it in friendly hands. MILAN closed higher for the seventh consecutive session. buoyed by a rally in Fiat. "Foreigners are starting to come into the market a bit more and there's a feeling the interest rate situation is much hap-

pier," an analyst said. The Comit index rose 1.67 to ost-crash high of 631.60. with Fiat rising L85 to a post-close L9,880 after slipping in early trading. Volume was estimated at a provisional L225bn, down from Friday's L271bn. Blue chips were generally firmer, although Montedison slipped L15 to 12,195.

MADRID rose to a new high for the year, led by big gains in stocks sensitive to the strong dollar. The general index was up 1.67 to 316.14.

The rise was due to the strong showing by Endesa, Telefonica and Repsol – all traded in New York – but also reflected a positive underlying tone. One analyst described the bourse's advance as the result of "a bout of buy mania." He said: "People have caught the buy bug. They seem to have shaken off their worries in the

ZURICH finished mixed in poor turnover as worries over higher interest rates and the strong dollar weighed on the market. The Crédit Suisse rose 1.9 to 595.2.

on profit-taking but some shares recovered slightly on

levels. "The day was quiet. People seem to be slightly concerned about the dollar after the market's very good run," said an analyst.

AMSTERDAM ended a dull, thin day mainly steady, after slipping from earlier highs on a lower Wall street opening. A technical fault with the price board hindered trading activity

for most of the day.

Blue chips ended steady to firmer, with the CBS tendency index up 0.5 to 186.7.

Hoogovens continued its surge, adding FI 1 to FI 109.90 on strong demand in the buoy-ant steel sector. Paper com-pany KNP, which starts trad-ing today in Frankfurt, gained 70 cents to F161.40 on demand

from two large buyers.
COPENHAGEN reached a new high on strong foreign interest and the index rose 3.25 to 319.40. The dollar boosted STOCKHOLM was largely unchanged after recovering from early losses. The Affarsväriden General Index closed

up 1.5 at 1.194.2. Saab-Scania free B fell SKr1 to SKr245 before news of the company's poor results for the first four months of this year, announced after the market closed. Ericsson free B rose SKr3 to SKr530 on US interest. OSLO closed mostly up in moderate trade, with little to affect the market. The all-share

index added 5.98 to 484.04. BRUSSELS ended barely changed, with the focus on selective issues. Acec, the engineering subsidiary of Société Générale de Belgique, jumped FFr26 to FFr487 on talk it would take over Union Minière, SGB's non-ferrous metals grouping.

SOUTH AFRICA

GOLD share prices closed down sharply in Johannesburg yesterday but off their day's lows after a mild rally in the bullion price.

Japan falls but Hong Kong regains ground

Tokyo

THE YEN'S sharp drop against the dollar discouraged an already sluggish market and share prices took a plunge in extremely thin trading, writes Michigo Nakamoto in Tokyo.

The Nikkei average began the day weaker and took a 220-point fall in the first 15 minutes of trading. Signs of a recovery later in the day could not be sustained and the Nikkei closed down a hefty 241.97 at 33.398.01.

The day's high was 33,614.69 while the low was 33,315.20. Declines more than doubled advances at 640 to 262 while 176 issues were unchanged. Turnover shrivelled to 343m shares from Friday's 520m. The Topix index of all listed shares lost 19.65 to 2,483.76, and in London the ISE/Nikkei 50 index shed 8.27 to 1,975.09.

Many analysts had been predicting continuing strength for the dollar, so the yen's fall yesas too much of a surprise. Nevertheless, yesterday witnessed the so-called "triple fall" of the yen, bonds and equities as the dollar's march up to the Y150 level dealt investors a heavy level dealt investors a heavy

psychological blow. Not everyone was gloomy, however. "Investors in Japan aren't so worried about the overall market," said Mr James B. Russell of Merrill Lynch Japan. Tokyo's weakness, said Mr Russell, stemmed more from a lack of interest than from any serious pullout. Investors were not paying much attention to the market, as the level of volume showed, and were inclined to wait for direction from trends in other markets. Turnover yesterday was the lowest since Septem-

ber last year. Institutional investors were said to be practically absent from the market yesterday. Institutions have been increasing their investments in US equities and a daily newspaper reported that Metti Mutual Life Insurance, for example, was allocating most of its specified money trust funds

Y36bn to US shares The dollar's strength triggered interest once more in export-oriented high-technology issues, particularly electri-cals. Sony climbed Y270 to Y7,940 while TDK advanced Y300 to Y5,500.

Investors in Osaka turned away from large capitalisation issues. The OSE average declined 209.67 to 32,591.62 while volume fell even further to 36m shares from the already low 48m traded on Friday.

CONFIDENCE appeared to be creeping back in Asia Pacific markets which recorded

healthy advances, led by Hong Kong's firm rebound. HONG KONG climbed steeply as some investors took the view that a measure of stability had returned to China, at least in the short term.

The Hang Seng index jumped 171.1, or 7.58 per cent, to close at 2,439.48. Following the rally last week and yester-day, the index is now 26 per cent below its level of 3,277.66 on May 18 before the turmoil in China sent stocks plunging.

Trading was heavy with HK\$2.24bn worth of shares changing hands compared with

Friday's HK\$1.80bn. Strong buying interest was focused on blue chips. Hutchiwhile Cheung Kong gained 75 cents to HK\$7.90. "Europeans have been consistent buyers of blue chip

shares in the last few days while the local traders' interest remains in the highly speculative second and third line issues, said a regional analyst. "At the moment Singapore is seeing quite a lot of institu-tional money moving in because investors feel there is a longer term future there.
Many people feel that Hong
Kong is very fragile at its current levels," he added.
SINGAPORE was pushed

ahead by strong buying interest and bargain hunting by institutions as sentiment was

helped by Hong Kong's

rebound. The Straits Times industrial index recorded its largest one-day rise this year. The index climbed 35.27 points to close at 1,276.48 in active trading. Turnover rose to 86m compared with Friday's

74m.
TAIWAN advanced for the fourth consecutive trading session as the market extended its technical recovery after a 894 point fall in the weighted index last Monday and Tuesday. The index added 273.89 to 9,467.84. SEOUL rose sharply, pursuing its recovery from falls related to the crisis in China. The composite index was up 9.34 at 920.48. The Australian market was closed for a holiday.

All these Notes have been sold. This announcement appears as a matter of record only.



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New Issue • May 23, 1989

NATIONAL AND REGIONAL MARKETS			RELY YACES	E 9 1969			THURS	DAY JUNE 8	1989	DOLLAR RIDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % iocal currency	Gross Div. Yield	US Collar Index	Pound Sterling Index	Local Currency Index	1969 High	1989 Low	Year ago (appro
Australia (86)	130.89	- 1.0	124.80	116.70	-0.1	5.04	132,16	124.57	116.87	157.12	128.28	144.3
Austria (19)	119.68	~0.7	114.11	124.65	+0.6	210	120.58	113.65	123.88	124.16	92.84	87.5
Belgium (63)	127.08	- 1.2	121.16	131.94	+0.2	4.16	128.68	121.29	131.70	137.10	126.33	124.6
Canada (124)	141.7Q	-0.1	135.10	123.07	+0.1	3.32	141.80	133.65	122.95	141.80	124.67	125.0
Denmark (38)	181.72	+0.0	173.26	192.90	+1.3	1.74	181,81	171.36	190.48	181.81	165.35	132.7
Finiand (26)	142.39	-1.1	135.76	132.38	-0,7	1.58	143.98	135.70	133.28	159.16	125.81	138.3
France (128)	118.34	-12	112.83	125.95	-0.1	3.01	119.82	112.93	126.11	122.79	112.57	99.6
West Germany (100)	84.69	-1.2	80.75	88.13	+0.0	2.31	85.78	80.83	88.16	90.40	79.58	78.1
Hong Kong (49)	94.09	+22	89.71	94.17	+22	5.73	92.09	96.80	92.16	140.33	86.41	106.3
Ireland (17)	133.94	<u>-21</u>	127.71	141.48	-0.8	2.98	136.77	128.91	142.60	151.36	125.00	138.0
Italy (97)	78.97	+1.0	75.29	85.69	+1.8	2.58	78.18	73.69	84.20	86.88	74.97	71.3
Japan (455)	172.72	- 1.9	164.68	159.45	-0.1	0.50	176.14	166.01	159.60	200.11	172.72	174.4
Malaysia (36)	174.88	+22	186.72	182.27	+25	2.63	171.05	161,22	177.83	185.03		
Mexico (13)	228.24	+0.9	217.62	618,28	+1.0	0.81	226.26	213.26	612.27	230.30	143.35 153.32	143.5
Netherland (42)	115.48	- 1.3	110.11	118.94	+0.0	4.33		110.28	118.93			167.6
	64.23	-0.5	61.24	60.03			116.98			122.22	110.63	107.
New Zealand (24)	170.39	-0.5 -0.6	162.45		+0.1	6.19	64.55	60.84	60.00	76.02	63.22	82:
Norway (26)				167.49	+0.4	1.59	171.40	161.55	166.75	198.39	139.92	127.
Singapore (26)	153.19	+21	146.06	137.80	+2,4	2.01	150.04	141.41	134.62	161.96	124.57	119.8
South Africa (60)	138.86	- 1.6	132.39	126.73	-0.8	4.17	140.27	132.21	127.76	144.86	115.35	134.9
Spain (43)	145.48	-0.2	138.71	142.83	+0.5	3.53	145.72	137,34	142.18	156.17	143.14	163.4
Sweden (35)	157.69	-0.8	150.35	157.40	+0.3	2,18	159.01	149.87	156.89	162.00	138,45	123.8
Switzerland (57)	75.38	-0.2	71.87	81.32	+1.4	2.50	75.52	71,18	80.18	79.76	67.81	80.9
Jnited Kingdom (\$14)	198.12	- 1.2	131.69	131.69	-0.1	4.41	139.79	131.76	191.78	153.33	134.53	139.7
JSA (557)	133.28	+0.0	127.07	133.28	0,0	3.36	133.30	125.64	133.30	133.36	112.13	110.4
urope (1005)	115.00	-1.0	109.64	115.82	+0.2	3,56	116.10	109,43	115.11	121.70	112.65	110.
lordic (125)	152.56	-0.6	145.46	149.42	+0.6	1.91	153,42	144,60	148.58	155.61	137,95	118.
Pacific Basin (676)	168.18	 1.8	160.35	155.40	+0.0	0.73	171.31	161.46	155.47	194.72	168,18	170.
Euro — Pacific (1661)	145.97	1.5	140.13	139.36	+0.0	1.63	149.28	140.70	139.32	164.22	146,97	146.6
North America (681)	133.69	+0.0	127.46	132.85	+0.0	3.35	133.71	126.08	132.86	133.73	112.79	117.2
Europe Ex. UK (691)	100.40	-0.8	95.73	105.19	+0.4	291	101.17	95.36	104.80	105.29	96.30	92.8
acific Ex. Japan (221)	113.89	+0.3	108.58	104.90	+ 0.8	4.97	113.56	107.04	104.07	137,65	111,93	123.
Vorld Ex. US (1878)	146.76	- 1.5	139.93	136.88	+0.0	1.71	148.98		138.85	162.77	146.76	
	141.27	- 1.0	134.69	137,50	+0.0			140.42				145.
World Ex. UK (2121)	140.99	- 1.0 - 1.0	134,42	137.02	+0.0 +0.0	2.07 2.26	142.66	134,48	137.48	146.04	138,06	131.4
Vorid Ex. So. Af. (2375)			120.17	125.47			142.40	134.22	137.00	146.65	138.82	132.1
Vorid Ex. Japan (1980)	126.04	-0.3			+0,1	3.49	126.46	118.19	125.37	126,50	114,51	111.8
he World Index (2435)	140.97	— 1.0	134.41	136.95	+0.0	2.27	142.39	134.20	136.94	146.51	138.83	132

FT-ACTUARIES WORLD INDICES

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